

THE
QUARTERLY JOURNAL
OF
ECONOMICS

OCTOBER, 1887

THE THEORY OF BUSINESS PROFITS.

PRESIDENT WALKER invites criticism of his theory of business profits,* and, presumably, of the theory of wages it is designed to supplement. Responding to the invitation, I wish to present some reasons why, in my opinion, both theories must be rejected as untenable. As Professor Alfred Marshall has expressed a general agreement with Mr. Walker, I shall take the liberty of examining, in conjunction with Mr. Walker's views, several passages of *Economics of Industry* bearing on these subjects.

The mode by which Mr. Walker seeks to maintain his theory of the manager's earnings is certainly marked by great ingenuity. Much that he says is undoubtedly sound and just. In large part, it is a contention that high business capacity is a rare gift, and that the possessors of this gift, being able to perform highly useful service in production, are able also to obtain large rewards for their labor. This would be to apply to busi-

* See *Quarterly Journal of Economics*, April, 1887, p. 288.

ness management the familiar law of monopoly wages, coupled with the principle that the highest success in every calling is due to something in the nature of a personal monopoly, as against the general body of competitors in the same business. If this had been all, the adherents of the old views would find little ground for criticism. Here, if anywhere, they might be expected to agree with Mr. Walker; for here certainly is a case of wages depending on production and a case of labor rewarded out of product rather than out of previous savings. But the agreement, I am sorry to say, must be a qualified one, extending not much beyond the fact that the employer's personal wages are, by as much as they exceed ordinary wages, the result of monopoly. As to the elements that constitute the monopoly, Mr Walker's theory will hardly win general acceptance. His view is that the dearth of natural ability is everything, or so nearly everything that the other elements may safely be neglected. He argues as if the born manager, on coming of age, had only to whistle the proper note, in order to have all the requisites of production laid at his feet. On this point, I can but think that the general verdict will be more nearly in agreement with Professor Marshall, in holding that the necessity of having capital and training is a much more influential element in constituting the monopoly than the lack of men with the requisite talent.* For myself, I think the "captain of industry," now that he has found recognition, is in some danger of getting overdone. I cannot forget that, for all but the highly gregarious industries,—which, after all, do but a small part of the world's production,—this splendid captain is and must remain a rather mythical personage. I rejoice to think that, for the most part, the business of production, even in some gregarious industries, can be very well man-

* *Journal of Economics*, July, 1887. I understand thus Mr. Marshall's remark that, at a rough guess, he should attribute a tenth part of the extra gains of the successful business man to rent of special ability.

aged by men who have average ability, plenty of common sense, the requisite training, and sufficient energy to devote themselves unflaggingly to the work. Not at all because I wish to disparage the great captain, but because I think the service he does for society consists mainly in the example he sets of improved organization of labor. The world needs inventors there as in other things. When the best mode of conducting the business is demonstrated, a lower grade of talent may well enough suffice for safe and successful management.

It is probable that there are thousands of men born with all the natural gifts required for successful management, who nevertheless fail to get control of business enterprises, solely for lack of the necessary training and capital. Both of these are extremely hard to get. There is no training school for business men but actual business. A man who has no capital cannot even try the experiment of business in a small way, in order to prove his ability. He cannot ask men of capital to put him in charge of their business until he has had training and has proved his capacity and, I will add, his honesty. He cannot borrow, because he has no security to offer for the repayment of the loan. The only course open to him in most cases is to work hard and save hard until he can command capital of his own. This is an ordeal that natural ability for management on the large scale does not help men to face successfully. It demands rather plodding patience and severe self-denial. Even with these, the chances are heavily against great success. Partly by sustained exertions, partly by good luck, the man who begins life without means or backing does sometimes climb to the control of large enterprises; but this, I fear, is the happy event that comes only to few. We hear much of these few, but the history of those who fall by the way is not written. This is my opinion—I admit it is only an opinion—as to the character of the business man's monopoly.

As to the mode by which this monopoly brings its special gains to those who hold it, there will be, I think, a very decided rejection of nearly all the reasoning that Mr. Walker urges in behalf of his theory of business earnings. Let us, in the first place, consider the proposition that the "no-profits" employer regulates the price of each commodity, on the same principle as that on which no-rent lands regulate the price of wheat. One naturally asks why the no-profits employer should have this function, seeing that there are always in every business, as Mr. Walker himself tells us, some employers who are not only making no profits, but are making losses. The products of these losing employers are continually in the market. Why should they not regulate the price, rather than the products of employers who are doing indefinitely better? In the case of land, we take the poorest in steady use as the regulator of price. If we are to have the same rule as regards employers also, let us have it, and take the least efficient employers as the regulators of prices. Mr. Walker seems to me to shrink from applying the principle he announces. What should we think of Ricardo, if, in developing his theory of rent, he had "thrown out of account" several of the poorest grades of land in constant use, in order to find the basis for prices and rent?

But, even if the lowest in the scale be taken, we come upon great difficulties in the application of the principle. How is it to apply in the case of the extractive industries, such as farming and mining? We should have, according to this new doctrine, two descending scales of productiveness, one due to differences in the natural agents, the other due to the varying capacity of employers. Both of these (the foot of the scale in each case) are supposed to be operative in determining the price. The cost of production of that part of the supply which is produced at the greatest disadvantage settles the price of the whole. But what part, on this theory, is produced at the greatest

disadvantage? Unless, by happy chance, the lower end of the one scale coincides with the lower end of the other, unless the least efficient employers have the least productive lands, we lose our regulator of price and our base for reckoning rent. If the least efficient employers should happen to have farms and mines somewhat above the poorest, the consequences would be extremely awkward. The poverty of the poorest lands might be counterbalanced, to an indefinite extent, by the superior business capacity of those tilling them; and the inferior business capacity of the least capable farmers would be offset by the natural advantages of their land. If each of these is to operate in fixing the price, how are they to combine their effects? The produce that comes under the influence of the one escapes the effects of the other. Where shall we look, on this theory, for "that portion of the supply which is produced under the greatest disadvantage"? Also, in this case, how shall the law of rent be stated? How is the "rent of ability" to be distinguished from the rent of the land? On these questions, Mr. Walker gives us no clear information. In discussing the law of rent in his general treatise, he dwells only on differences of soil and situation, as causing one farmer to have larger returns than another. Incidentally, indeed, in connection with another subject, he makes a remark, which, if taken literally, can only mean that, in his theory, all farmers are to be regarded as of the same grade of ability, and all of the "no-profits" class! Comparing the special gains of the successful business man with the rent of land, he says,—"just as the cultivator of soils of the better class has a surplus left in his hands after paying wages for labor and interest for capital employed, which surplus, called rent, goes to the owner of the soil."* If it is assumed that the whole surplus above wages paid for labor and interest for capital goes to the landlord, of course that would obviate the difficulties I have mentioned: all farmers are then of the "no-profits"

* Walker, *Political Economy*, § 284.

grade. But, if that be assumed, what shall we say of the assumption?

Let us now examine the grounds on which the least efficient employers in every industry are credited with the special function of settling the price of the product, as the poorest natural agents do in the extractive industries. In the case of the natural agents, the reason is clear and convincing. As poorer sources of supply have to be resorted to, in the industries subject to the law of diminishing returns, the value of the product rises. But this is because, and only because, other industries are free from the law of diminishing returns. If all industries were subject to that law, neither value nor price would be affected by it, except so far as the decline of returns happened to be more or less sudden in some industries than in others. Wheat, for example, does not rise in value as compared with barley or with dairy products, when inferior soils have to be resorted to; nor does it necessarily rise in value as compared with coal or iron ore, since the same law of increasing cost is encountered in adding to the production of these things. But it does rise as compared with cloth or with shoes or any other manufactured article, since in manufactures there is no law of diminishing returns.

But the differing efficiency of employers is a fact common to all industries, and, by Mr. Walker's own assumption, tapers off to the same precise vanishing point of "no profits" in all. How then, I ask, shall it affect the value or the price of any commodity? If the presence of the "no-profits" employer tends to raise the value of any one product, it must have a precisely similar effect on the value of every other product. If it makes the production of wheat more costly, it also makes the production of cloth more costly in the same degree. It cannot therefore affect the exchanging proportions of wheat and cloth. Neither can it affect prices (*i.e.*, the exchanging propor-

tions of gold and other things), since in the production of gold the "no-profits" employer is present, and must be as potent in affecting the value of the product as he is in every other case. In other words, the presence of inefficient employers in all industries has no more to do with determining the prices of commodities than has the presence of dishonest employers, or (if I may be pardoned the levity) employers with red hair. In saying this, I have no desire to question the fact that important economic results would flow from a dearth of efficient business men. I merely contend that those results must be sought for in another direction than that suggested by Mr. Walker.

The natural effect of incompetence, and the only direct effect, one would suppose, would be small reward or even loss for the incompetent person. Mr. Walker apparently asks us to believe that the effect of incompetence, down to the vanishing point of profits, spends its force on the income of the employer, and beyond that point takes effect on the buyer of the product. Just why it should not spend its whole force on the employer's revenue, changing, if need be, "no profits" into losses, he does not explain. What renders this portion of Mr. Walker's theory all the more strange is that he does not steadily adhere to the assumption that the presence of the "no-profits" employers is a necessity of business. At times, he speaks as if they simply forced themselves, unneeded and unbidden, into the management of business. He cautions us against various courses that tend to give them an opening, and against the maudlin sentiment that deters us from casting them out and punishing them whenever, by reason of their financial embarrassments, the chance offers itself. Why not also caution the community against allowing the poorer grades of land to be cultivated? There would seem, on his theory, to be as good reason for the caution in the one case as in the other. If the least competent employers regulate prices, then prices would be

made higher and not lower by driving them out of business, just as the price of food would be made higher and not lower by punishing men for cultivating poor grades of land. Mr. Walker is thoroughly aware that it is not open to anybody to force up the price of food and the rent of land by needlessly bringing into cultivation land poorer than any hitherto in use. Why should he argue as if the corresponding feat were possible, when incompetent employers "force themselves into the control of business and maintain themselves there at the expense of the community"?

Probably Mr. Walker would admit that his proposition as to the source of the earnings of successful business men must stand or fall with his theory as to the price-regulating function of the "no-profits" business man. Yet the proposition that the successful business man creates by his own exertions the gain he makes is so plausible, and would be so important if it were true, that we may advantageously consider it for a few moments by itself. I observe that in *Economics of Industry* the proposition is limited to strictly productive business. Mr. Walker, on the other hand, applies it to all sorts of business in which profits are made. I believe that in either form the proposition is quite untenable. In the mere statement of it there is, it seems to me, an attempt to ride two horses that face in opposite directions. Professor and Mrs. Marshall tell us:—

If a manufacturer can improve the method of carrying on his business so that the work of four hundred men produces as much as that of five hundred did previously, then he will gain an addition to his earnings of management equal to the wages of one hundred men. Thus, the earnings of management of a manufacturer represent the value of the addition which his work makes to the total produce of capital and industry.—*Economics of Industry*, p. 142.

This, Mr. Marshall tells us, is to be understood in a literal sense; and, so understood, Mr. Walker adopts it

as expressing precisely the same view he himself holds. Yet both authors are very emphatic in maintaining that every increase in the number of capable business men tends to lower the earnings of management, Mr. Walker going so far as to say that, if the managers of the best grade were "numerous," their earnings, under free competition, would fall to *nil*. Now, each of these views is intelligible; and for each, by itself, some sort of case may be made out. But the attempt to combine the two as a law of manager's earnings leads, in my opinion, to something not far removed from absurdity. For, if a good manager can create as much wealth as one hundred men when good managers are few, he can do the same when good managers are numerous. If his earnings are to be the value of the addition his work makes to the produce of capital and labor, how can mere increase of the number of men capable of thus adding to the produce of capital and labor diminish his earnings? Mr. Marshall, in accounting for the decline, cites, as analogous, the decline in the wages of skilled labor as the number possessing the skill increases. But there is this fundamental difference between the two cases, which renders analogy between them impossible for the purpose in hand. Skilled labor has specific products of its own, which fall in value as the supply of them is increased. But management has no distinct products of its own. All production needs management, and all products cannot fall in value. How, then, I repeat, shall we hold that the earnings of management correspond to the wealth created by the manager's own exertions, and yet at the same time hold that these earnings may fall indefinitely, merely on account of increase in the number of capable managers?

In form of statement, at least, Mr. Walker's theory is a little different at this point from Mr. Marshall's. Mr. Walker treats rather of differences of profits than of profits as such. He would apparently deny the possibility

of profits under free competition, in circumstances that should leave no grounds for differences of profit. In the hypothetical case (with which he begins his exposition) of a small and exclusive class of business managers, "each the precise economic equivalent of every other," he has no suggestion to offer as to the amount of their earnings apart from the needless and highly uneconomic assumption of a combination to "fix a standard for their own remuneration." Yet, if the earnings of management coincide with or represent wealth created wholly by the manager's own exertions, why should the smallness of the managing class or the sameness of their abilities interfere with their getting what they have created? Why should they combine to fix their gains arbitrarily? Does the suggestion imply that by combination they might extort more than they create? or that, without combination, they might lose part or even all of what they create? Apparently, the latter is Mr. Walker's view; for he tells us that, if managers of equal ability became so numerous as to make effective combination among them impossible, the earnings of management would disappear. He frankly avows that, on his theory, under equality of advantages and freedom of competition, he finds "no natural stopping-place" for the fall of business earnings until they reach *nil*. Apparently, the "no-profits" employer is regarded as the necessary buffer to check the fall of profits by keeping up the values or prices of all commodities, a function of which, as we have already seen, the unfortunate man is hardly capable.

It would seem, then, that Mr. Walker's theory is, in reality, not a theory of manager's earnings at all, but a theory of the differences in managers' earnings. By the ingenious but, as I believe, entirely fallacious use of the "no-profits" manager, it is made to wear in part the appearance of a primary law of distribution, whereas it is at best but the necessary appendage to such a law, stating

the allowance to be made for human inequalities in the working of the law. To claim any more for it is much as if one should attempt to develop a law of wages by calling the amount earned by the least efficient laborers "unity" or "*nil*" or "no wages," and showing that every laborer of higher efficiency receives an excess of wages above unity or *nil* or no wages, representing the surplus of wealth he creates over and above the amount produced by the lowest grade of laborers. In fact, by changing necessary words, a very readable article on the "Source of Wages" could be made out of Mr. Walker's article on the "Source of Business Profits." Such a treatment we should scarcely accept as leading to a satisfactory law of wages; yet, in my opinion, it would have somewhat better claims to acceptance than the theory under review.*

In other words, I cannot but regard as unreal and misleading the analogy assumed by Mr. Walker between earnings of management and rent of land. Rent could have at most an analogy to differences of earnings; for the basis of rent is not production, but differences in production. The rewards of human exertion, on the contrary, are primarily for the whole service. If the service be the creation of wealth, and if the amount of wealth created is to be the measure of wages, then there can be no ground in reason for considering anything less than the whole amount created. To lay down individual creation of wealth as the law or the source of business profits, and yet hold that the principle extends only to the surplus over and above the amount created by some other man, is only to deal in contradictions. At most, as already remarked, such considerations could apply only to differences of profit.

* Better, first, in that ordinary productive labor has usually a definite product for each laborer, whereas managing ability has not; better, secondly and chiefly, because it would take in the whole range of differences in wages instead of measuring upward from an arbitrarily chosen point considerably above the lowest returns, as Mr. Walker does in the case of business earnings.

Even as a rule of differences, Mr. Walker's theory could not be accepted without very extensive modifications. Men grow rich by producing much, but they also grow rich without producing anything. Some men are poor because they have produced little, but other men are poor in spite of having produced much. There is, in fact, but little connection between the production and the acquisition of wealth, in individual cases. Mere lucky trading, skilful speculation, taking advantage of the ignorance or the fears or the necessities of other men, corners, craftiness, and even knavery, are often much shorter roads to riches than actual production is. It might be a great comfort to our Vanderbilts, Goulds, and Fisks to be told that their gains represent wealth of their own creation,—if they could be got to believe it!

There is certainly, as Mr. Walker has said, a gain which no man loses; but that is not enough to justify his theory. He is bound to prove that all gain is of that description. So far as I can see, he asks us to take the mere fact of gaining as proof of creating. Not to gain appears to be his evidence of incompetency in producing: to gain large profits is his proof of large creative ability. But till the accidents, uncertainties, and tricks of trade can be got rid of, it would be extremely rash to take the making of gain as proof of anything but the making of gain. Whose exertions created the gain is a question needing other evidence for its determination. Similarly, as regards failure to win profits, we should need to know the causes of the failure before pronouncing the unfortunate man incompetent as a producer. It is, for example, a fair conjecture that in many cases the "no-profits" employer may have actually produced a large addition to the general wealth, but failed to realize it in exchange, owing to the mistakes or bad faith or misfortunes of others, or owing to any of the ten thousand mischances to which every business enterprise is liable.

Before leaving this part of our subject, I wish to point out that, even if Mr. Walker's theory of the earnings of management could be accepted as satisfactory, it would fall seriously short of filling the gap in his system to which Professor Henry Sidgwick called his attention. Mr. Sidgwick's very obvious criticism was that Mr. Walker had "supplied no theoretical determination whatever of the average proportions in which produce is divided between capital and labor." The whole return going to the side of capital is resolvable into Interest, Compensation for Risk, and Remuneration for the Labor of Management. Mr. Walker's theory relates specifically to the last of the three only; though, from the general tone of his treatment, it may perhaps be inferred that he includes the successful management of risk as one of the sources of business gains. However that may be, he certainly makes no attempt to supply a theoretical determination for the rate of interest beyond saying that it is "determined by the relation of supply and demand." He does, indeed, mention the tendency of interest to decline as countries grow older,—to become five per cent. where it has been eight, three per cent. where it has been five. He seems to hold that interest, as an element in distribution, is sufficiently accounted for by noting the rate and its changes. But this is as if a physicist should account for the pressure of the air by giving us the readings of his barometer. On the whole, it is no unfair criticism of Mr. Walker's theory at this point to say that it takes the rate of interest for granted. Further, when "interest is to be deducted," it would be necessary to know whether this means interest on perfect security or on ordinary mercantile security or on such security as the individual employer in each case happens to be able to offer, for interest varies in the same loan market with the character of the security. Also, we should need to know whether, in times of temporarily high interest, the laborers are to be charged at the high

rate on the whole capital of the country or only on the portion actually borrowed at the high rate.

Altogether, the residue theory of wages needs a good deal of clearing up in the region of interest and earnings of management before it can lay claim to completeness as a theory of distribution. It was apparently in order to provide some sort of economic bed for this theory of wages that Mr. Walker invented the "no-profits" theory of profits. When the whole work is done, it seems to me to be little more than a somewhat elaborate statement of the fact that what does not go to the other participants goes to the laborers. By simply transposing terms, the same method would yield an equally valid law of rent, or of interest, or of earnings of management.

It is not the least curious part of the whole system that the author should choose as the residuary legatee of industry precisely the claimant against whose right to the position there is a strong *prima facie* case. For if (to carry the figure a step farther than Mr. Walker carries it) the estate of production should some day go to the probate court, the valid claims upon it of the laboring class would be found, I fear, to be comparatively insignificant. Some slight liens many of them would have undoubtedly; but the great bulk of the estate would go, as a matter of course, partly to those who are entitled to receive rents, partly to those who have managed production, but mainly to those who own the capital. The laborers alone, of all the classes concerned in production, have had their services paid for and quitted, from week to week, during the long periods in which the commodities constituting the estate were being produced. As residuary legatees, they are without the shadow of a case. The very essence of receiving wages is a surrender of the right to appear as residual claimants.

Putting the same fact in another form, it is very clear that the laborers do not own the finished commodities

that come forward for consumption from day to day. Neither have they, of their own, money enough to buy more than a small part of them. The goods are partly rent, partly profits; but, mainly, they only replace capital previously advanced. Some small part, I will admit, may represent wages earned, but not yet paid; though I fear that, if we take into account, as we are bound to do, the shop debts of the laborers, they would be found, as a class, to have nothing owing to them,—to have no lawful title to a residue or any other part of the commodities now awaiting the consumer. These sad and simple facts are of vital importance for the law of wages. They cannot be thrust out of sight or deprived of their significance by even the most skilful dialectics. And, to my mind, they are dead against Mr. Walker's theory,—so dead against it that one finds some call for self-restraint in soberly arguing the matter. Indeed, Mr. Walker himself seems to have felt the weight of the facts opposed to him. He tells us that wages are to be regarded as residual in certain "senses." He admits that in any particular case the employer is, by force of contract, the residual claimant.* Yet he asks us to believe that wages, if not literally a residue, are at least determined precisely as if they were a residue; *i.e.*, by "deducting" or "cutting off" from the whole product of industry the shares falling to the landlord, the capitalist, and the business manager, respectively.

Of his theory, so understood, I will say, in the first place, that it seems to involve a most curious and needless twisting of things out of their proper relations. It is like the picture in a camera, which makes left of right, and puts the feet where the head ought to be. I will say, secondly, that this implied attempt at confession and avoidance does not in the least weaken the force of the simple facts of which I have spoken. These are dead against the proposition that wages are determined as if

* *Political Economy*, p. 265.

they were a residue. It is still a fact that the laborers, in the mass, have already had their wages for producing the commodities now awaiting the consumer. It is still a fact that these commodities and the money to buy them with belong to the other classes concerned in production. How, then, shall the laborers obtain any part of them? What is to determine how great a part they shall receive? In other words, what is the law of wages?

Apart from gift, I see but one way by which the laborers may obtain a share. They must induce those who own the commodities to part with them. But the laborers have nothing to offer in return except labor. Now there are two ways by which the owners of the commodities may turn labor to account: they may find personal services desirable, and may give some of their commodities in return for such services; or they may wish to increase their wealth, and may therefore be ready to give commodities in return for productive labor, on such terms as to gain by the operation. These, I think, are the ways, and the only ways, by which the right to receive and consume any part of the existing stock of goods may be transferred from the first owners to the laborers. If this be so, several important consequences follow.

It follows, in the first place, that the primary question in wages is not, How much has been produced? nor, How much is going to be produced? but, How much of all that has been produced do the owners care to use in hiring laborers? This is fundamental. If true, it must be a primary truth in any reasonable theory of wages. Of course, no sane person would deny — I think no sane person ever has denied — that there is a relation between the rate of wages and the productiveness of labor.* The productive-

*Mr. Walker seems to charge this denial on the Wages Fund theory. In so interpreting that theory, he does not, in my judgment, exhibit his usual penetration. The question between the two theories at this point seems to me to be largely one of mode.

which will be determined by what they previously produced in same industry.

ness of past labor influences the rate of wages by affecting the volume of commodities accruing to employers, thereby affecting their ability to spare from their own consumption. The expected productiveness of future labor will influence the rate of wages by affecting the prospect of gain to be made by hiring on any given terms. But these influences can act on wages only by first acting on savings: they operate not simply and directly, but mediately, through acting on the minds of those who own the existing and coming supply of commodities. Since, therefore, the whole matter depends on human volition, we can lay down no certain rule as to the result, good for all cases. We can only say that, given the savings in any particular case, the rate of wages will result.

It follows, secondly, that the commodities received by the laborers for the work of any given week are not at all products of that same week's labor, but of previous labor, and mainly of labor spent long previously. It is stating the same fact from another point of view to say that wages are, on the whole, paid for producing, not present, but future commodities. If, now, Mr. Walker says that wages are a residue of the whole product after deducting rent and profits, he is bound to tell us particularly which product he means, and what rent and profits are to be deducted. If he means the product of the very labor that is to be paid for, we must remind him that that product is still an unknown quantity, still in the future. Even supposing it a known quantity, wages would still be indeterminate; for, on his own theory, the profits of the future are still unknown, not having been "created" yet. One cannot deduct an unknown quantity from another unknown quantity and arrive at a definite result. Further, even if these unknowable quantities were both known, future products would not avail to pay present wages. The wages of the present must still

depend on the present resources for paying wages. It would be foolish to devise a formula for present wages that might call for more than there is on hand to pay with,—as foolish as to draw up a bill of fare for your dinner without reference to the resources of your pantry.*

If, on the other hand, he means that present wages are determined by deducting from the products now presenting themselves for consumption the rent and profits accruing in respect of their production, his doctrine is relieved of indeterminateness, but at the expense of self-contradiction and of opposition to plain facts. It becomes self-contradictory, because its fundamental principle is that wages are the residue, or are determined as if they were the residue, of the product of the labor they reward,—not as if they were the residue of the product of some other labor. If they be the residue of the products of past labor, after deducting the corresponding rents and profits, how would it be possible to increase wages by increasing the efficiency of present labor? Secondly, the theory thus understood would be in conflict with plain fact, because the owners of the stock of finished commodities do not determine how much they shall spare from their own use and apply to hiring laborers, by deducting rent and profits from the whole product they have received. People do not themselves consume their whole income derived from rent, interest, and earnings of management, and save only the balance for use in hiring laborers. If they did, there never could be any increase of capital except such as the laborers might contribute out of their wages. We know

*I readily admit that the comparison fails of exactness at two points. The resources for paying wages may be somewhat increased by greater self-denial on the part of employers, if greater inducements be offered; but Mr. Walker can hardly urge this objection, since, as we shall see later, his theory denies the possibility of the greater inducement. Secondly, if laborers do, in fact, wait even a short time for their wages (do not, i.e., anticipate them wholly through the butcher and the baker), agreements may be made to pay them commodities which are not yet ready in hand, but will be ready in hand when pay day comes.

that, as a matter of fact, income derived from rents, interest, and management, is every day saved and turned into wages. This simple fact stands out, as it seems to me, in flat contradiction of Mr. Walker's theory. It would, in my judgment, be fatal to his theory of wages, even if there were nothing else to be said against it.

For the same reason, I must hold that the authors of *Economics of Industry* have also fallen into error as to the method in which wages are determined. They proceed by first deducting rent and taxes from the whole product of industry: the remainder they call the "Wages-and-Profits Fund." The task they set before themselves is to discover and explain the principles according to which this fund is "shared" or divided into wages, interest, and earnings of management. This method is substantially the same as that followed by Mr. Walker. It is, so far as concerns wages, a process of eliminating or deducting from the whole product of industry the portions called rent, interest, and earnings of management, in order to discover how much remains for wages. It is to be said for the authors of *Economics of Industry* that they do not mistake the statement of the problem for the solution of it. They do not take the rate of interest for granted, but endeavor to take into view all the variable elements in distribution and the action of all the economic forces that go to determine these variable elements. Their one serious error lies in not sufficiently regarding the element of time in their problem. Their procedure involves a sort of economic anachronism. They seem to forget that, if we analyze the total product of industry for any given week into rent, wages, and profits, we are dealing, so far as wages are concerned, not with the wages of that particular week, but with past wages. What they call the "Wages-and-Profits Fund" belongs undividedly to the capitalist class. Strictly, it is to be analyzed into replaced capital and the profits thereon. The portion which re-

places capital corresponds, undoubtedly, to wages paid out previously to laborers. It was saved and invested at some former time or times, and is now recovered with a profit through production.

While, then, it is true that the wages included in the "Wages-and-Profits Fund" of *Economics of Industry* may be regarded as representing real wages, it is also true that no valid law of present wages can be reached by the method followed in that work. It is a method applicable to profits only. Given what the authors call the "Wages-and-Profits Fund," we can argue that, if the part representing wages (past wages) be set off, the remainder of the fund is profit. It is profit because wages were what they were. But it would be quite inadmissible to convert the terms, and argue that wages were what they were because the profit turns out to be what it is. So that, even as a formula for past wages, this procedure would be futile. Further, the past wages replaced to the capitalist in the product of any given week are not the wages of any particular previous week. They were, in fact, paid out, bit by bit, during the whole course of producing the commodities of the week. Partly, they were paid out years before for the labor that made the machinery, buildings, and other plant used in producing them. Strictly, then, a formula derived by this method can only recite the fact that certain sums have been paid out as wages, at various past times, for producing the commodities constituting the "Wages-and-Profits Fund" of the given week. It can give us no light on the question how these past wages came to be what they were. They certainly were not fixed by "sharing" the inchoate products of a week still in the future.

Still less can the method of *Economics of Industry* disclose the manner in which present wages are determined. For here, in addition to the defect already pointed out, it fails, as Mr. Walker's method fails, by setting out with

a wrong assumption as to the precise way in which current wages stand related to, and are drawn from, current production. The authors assume that wages are determined by a process of sharing the results of production, after production is completed. They forget that wages are, with slight exceptions,* paid before production is completed, and that the final products, as they emerge, belong undividedly to the capitalists. To argue as if the employer's right of ownership extended only to the portion representing his profit is surely not a mode of reasoning that can lead to very trustworthy results. Nor is it a whit better to assume that whatever of the total product is profit or rent is on that account lost to wages. No argument ought to be necessary to show that, in reference to any given point of time, rent, profits, and wages are not at all mutually exclusive shares of the products that have just reached completion. Wages, as an economic share, are not contemporaneous with the other two: it is of the very essence of wage-paying that they should not be. The wages that correspond, as an economic share, to the rent and profits of any given time, have been paid and consumed before the rent and profits appeared. They are, in reference to the rent and profits, wages of the past. Rent and profits are contemporaneous and mutually exclusive shares of the completed product. What is rent cannot become profit, nor can profit become rent. If we deduct rent and profits from the whole product, the remainder, as already pointed out, is not the wages of the time we are considering: it is, by the very nature of the case, replacement of capital,—past payments to laborers, now restored to those who made the advances. The wages, on the other hand, that go in time with the rents and profits we are considering, belong, as an economic share, to products that have not yet appeared,—products

* The exceptions are such wages as may be due the workmen who give, so to say, the final touches to the product. Mainly, this would include only the labor of exchange.

of the future. In reference to the products of the time when they are paid, wages are no economic share at all. They are drawn indiscriminately from every part of the existing supply of consumable commodities. They are whatever part of that supply the owners choose to spare from their own consumption and offer for labor. The economic origin of the owner's title to the commodities he offers for labor does not once come into the question. He may have received them as rents or as profits or even as wages, or they may have come to him as replacement of capital. All that is a matter of entire indifference for the wages of the time. The vital question is, How great a part of all existing commodities is offered for labor?

We ordinarily assume that the whole of the replaced capital will be so offered; that the owners, having once before saved and invested this amount, will be ready to do the same again.* But, if we ended here, we should be condemning the laborers of the present time to receive in the aggregate only the same amount that the smaller number received in past years: individual wages, on those terms, must decline. But we know that, as a matter of fact, incomes derived from rents, interest, and earnings of management, are every day spared from their own consumption by the rent and profit receiving classes, and used in paying wages of labor. Any formula or procedure for determining wages that loses sight of this elementary fact, condemns itself in advance to mere emptiness, for it never can accord with the actual state of the case. So far as I can see, every method that proceeds by "deducting" from the whole product, or by "sharing" the whole product, in order to find wages, is doomed

*Of course, this is only an assumption; and in individual cases it is often untrue, especially when ownership changes by inheritance meantime. But, as we are dealing with aggregate, not individual, capital, we may regard the new savings of some as merely offsetting the waste of capital by others. It is only when new savings exceed waste that we regard them as new savings.

to failure on this account. The only process of deducting or sharing that can safely be admitted in the law of wages is the process that takes place in the minds of those who own the products of industry, when completed. Whatever part they choose to deduct from the whole product for their own consumption stands deducted; the rest goes to the laborers,—not, however, to pay for producing these same commodities, but for producing other future commodities. The true shares of the product look to the past, and rest on services done in the course of production, but unrequited till the product is completed. The laborer's service was paid for and quitted, week by week, as the production went forward. In the completed product he has, therefore, no share nor residue, except such as he shall get by the voluntary act of those who own it. This lies, it seems to me, in the very nature of hiring and wages.

The wages-fund theory may not be perfectly satisfactory: few theories are. But it has, at least, the merit of looking squarely at the fundamental fact that working for wages is not working for a share of the product the work finally results in; that men who depend on wages depend on getting commodities belonging to other men. This primary truth, that those who live by wages are dependent on what is spared or "saved" by those who own the world's stock of good things, I have supposed to be the vital and only essential principle of the wages-fund theory. Mr. Walker quotes authority for the assertion that that theory has received its *coup de grâce*. If any theory has maintained that the rate of wages is "altogether irrespective of the industrial quality, the skill, energy, temperance, of the laboring population"; or that it is "irrespective of the efforts of the laboring class, as a body or individually, to better their own condition"; or that, "if the laborer does not seek his interest, his interest will seek him and will find him,"—then, surely,

we ought to rejoice that so false a theory of wages has been given its death-blow. But I must say that, for my own part, I have never understood the wages-fund theory to assert or to imply any such absurdities. How anybody could have so read and interpreted any standard account of the circumstances determining the magnitude of the wages fund, and the rate of wages resulting from it, is to me incomprehensible. As to the point which Mr. Walker emphasizes so strongly as the point of widest difference between his own theory and the wages-fund theory,—namely, the connection between the productiveness of labor and the wages of the laborers,—I should have supposed the only question about which sensible men could differ would be the *mode* of the connection. The wages-fund theory certainly contemplates a very intimate relation between the two; but it insists that the connection is indirect, being effected through the wills and resources of those who provide capital for paying wages. Mr. Walker, on the other hand, seems to maintain that the connection between the productiveness of labor and the rate of wages is of the direct and simple kind, not mediate, through the action of those who save capital,—the same sort of relation that exists between the efficiency of laborers and the product of their labor. The wages-fund theory holds that wages depend primarily on savings, but adds that savings depend very much on production. Mr. Walker holds that they depend primarily on production, and makes no mention of savings, except in a roundabout way. This seems to me to be the essential point of variance between the two theories.

Perhaps the readiest way to illustrate and at the same time test the two views is to consider the hypothetical case with which Mr. Walker closes his article on the "Source of Business Profits." I mean the supposition of "an instantaneous improvement in the industrial quality

of the laboring class, . . . with a resulting increase of ten per cent. in the finished product." Mr. Walker gives no explanation of the process by which, in his view, the increase of product is carried at once to the wages of labor: he only finds no economic reason why it should go anywhere else. But he never once mentions the all-important fact that the increase of product goes, in the first instance, by the very nature of the case, to swell the revenues of those who employ laborers. It is not a case for argument as to their right to receive the increase: it is a case for noting the fact and admitting its consequences. How are the laborers to obtain possession of the increased product and to "receive a benefit from it corresponding to that derived by the residuary legatee, whenever the total value of the estate concerned is ascertained to have been, or by some unanticipated cause becomes, greater than was in contemplation of the testator . . .?" The only suggestion offered by Mr. Walker of a method by which they may gain immediate possession of this addition to wages is the mention several times of perfect freedom of competition. Free competition is always implied, as a matter of course, in economic discussion, unless the contrary be stated. But I am quite unable to see how competition can effect anything in the premises. All competition can do is to remove or prevent inequalities in wages. It can bring all laborers of the same grade to the same level of wages. But it has itself nothing to do with setting the level. Competition of laborers is powerless to raise all wages, and our present question relates to a general rise. If the competition to which he refers be that of employer with employer to get control of laborers, I can only say that here again all competition of itself can accomplish is to prevent or remove inequalities, to prevent one employer from getting laborers of a given grade for lower wages than another employer pays. Competition simply enforces the level on everybody. It does so by bringing down the

high as often as by raising the low. It is powerless to raise all or to depress all.

Mr. Walker, then, has presented us with a case in which the products coming to employers of labor would be gradually increased ten per cent. He gives us no clew for tracing this increase beyond the hands of the employing class and into the possession of the laborers. He simply tells us that, if his theory be true, it would pass, all of it and at once, to the benefit of wages. An adherent of the theory that wages are paid from savings has at least a reason to give for the result he predicts. He gives mode and process for the working out of his result in practice. He cites the fact that increase of product, wages remaining unchanged, would cause a rise of profits; that both the means and the motives for saving would be greater than before; that increase of capital seeking labor would naturally follow, with the result of raising wages. How rapid and how great the rise would be he would not undertake to predict, because everything would depend on the choice made by those who own the increased product, between consuming it in their own enjoyments and saving it for use in hiring laborers,—a matter as to which no two communities would behave quite alike. It can, however, be safely predicted that a part will be saved, and only a part. An increase of ten per cent. in the whole product would probably double the net profits of employers. It would be mere absurdity to hold that they would spend no more than they did formerly in personal enjoyments for themselves and their families. The whole increase they cannot be expected to save, and so wages cannot be expected to rise by the whole amount of the increase in product.

Mr. Walker's theory seems to me to call for a double miracle in this case: first, that a set of men who are working for gain should surrender without motive the chance to add greatly to their gain; secondly, that the

laborers should instantly receive an addition of (say) fifteen per cent. to their real wages,* before the commodities necessary for paying the increase have been provided. For it is of the highest importance in the law of wages—in fact, it is the origin of wage-paying—that civilized labor does not yield immediately a product good for human use. Neither does an increase of efficiency exert suddenly its whole effect in increasing the enjoyable products of industry. It must have time to work out its full results,—as much time, in the case of each product, as that particular product requires for its production. This, we all know, varies extremely; but in all but a few of our commodities the time is considerable. We should therefore have, in the case supposed by Mr. Walker, an increase of ten per cent. soon, in the case of a few articles; but in most cases several months would be required, and in not a few several years. When, for example, should we have the full effect of this increase of efficiency in the case of wheat or of cotton cloth or shoes or beef or houses or furniture? It is impossible here to follow out any of these cases into the details of their production; but let the reader consider and decide for himself whether in any of these cases, or in the case of most commodities, it would be physically possible that the supply should be increased ten per cent. suddenly by a ten per cent. increase of efficiency on the part of the laborers concerned in the production of it.† If we add the fact that machinery, buildings, railways, ships, and all other plant, are also

*I suppose the ten per cent. increase of product assumed by Mr. Walker would raise wages fifteen per cent., if it passed entirely to wages.

† This point is overlooked, I think, by the authors of *Economics of Industry* in their discussion of the two theories of wages. They say that, when there is an immigration of laborers into a country, "the increase in the supply of labor will increase the net produce of capital and labor, and therefore the Wages-and-Profits Fund" (*Economics of Industry*, p. 205). There can be no question that this result will follow in the course of time. But will it—as a matter of physical possibility, can it—happen at once? Must not the increase begin at the beginning of production?

produced by labor, and that the increase of efficiency in this labor cannot take effect until the machinery produced under the new conditions is not only in operation, but has already some of its products ready for consumption, we shall have another element necessary for completing the case. Still another is found in the time required for transportation of materials and finished products from place to place, and in the delays incident to the various changes of hands through which they pass in the course of production and exchange.

On the whole, it is safe to estimate that a year would be required for making anything like the full addition to the current of commodities good for human use that Mr. Walker's supposed case contemplates. If this be even approximately true, from what source shall the commodities come that are to afford the fifteen per cent. immediate addition to wages? Some slight increase may no doubt be made by drawing down the customary reserve of unemployed capital: something may be added also by increased self-denial on the part of those who own the existing stock of commodities, and will own the on-coming supply. But these are small resources on which to count for the means to make a heavy immediate addition to wages. Besides, Mr. Walker expressly says, "There is no greater demand for capital in the case." His theory cuts him off from appealing to these sources for increase of wages: to appeal to these is to appeal to the wages-fund theory. The residue theory must at least be content to wait till the increased product is on the spot, ready to be handed over to the residuary legatee. The only resource to which it can consistently apply for increase of wages, in the present case, is whatever increase of consumable product is actually forthcoming from week to week, which in the early stages would certainly be slight. Even in reference to this, the advocates of the theory must be prepared to tell us more clearly than they

have hitherto done by what precise working of what economic or other principles the employer's right of ownership in the increase of product is to be overcome.

If Mr. Walker's notion of "perfect competition" be that it shall be open to everybody who has, or thinks he has, business ability to set himself up as an employer, then it may be admitted that his reasoning, as reasoning, is excellent; but we should also have to say that it is wholly inapplicable to the world as constituted. If it were possible for all outsiders, in his hypothetical case, to enter into competition with those who control the world's capital, the case would be radically different. To assume perfect competition, where by the nature of the case there must be monopoly, would scarcely be a way of reaching sound conclusions. The only competition which can be relied on to raise wages in the case he supposes, or in fact within a limited time in any case, is, it seems to me, whatever of new rivalry may spring up among the old employers, for the control of labor. The prospect of additional profits may safely be counted on to stimulate every energetic employer into seeking an expansion of his business. But, in order to make use of any laborers he may tempt away from other employers, he must have additional plant and materials. Now, if we are supposing his capital to have been fully employed before, the question arises, Whence is the new capital to come? If the employer is to save more himself, it must be for the sake of higher gains. Yet Mr. Walker maintains that the whole benefit of the improvement will go to the laborers, which would cut off the motive for increased self-denial on the part of the employer. Again, if employers borrow more than formerly, the increased demand for loans will raise the rate of interest; but for borrowing at a higher rate of interest there would be the same absence of motive, if the whole gain of the improvement is to go to the laborers. Putting the same point in another way, if wages

must rise as rapidly as the product increases, no employer has any motive for wishing to get more laborers than before. So that, on Mr. Walker's terms, it is not easy to see whence the demand for labor is to come, that shall raise wages so as to carry the whole increase of product to the laborers themselves.

I hope I have made it clear that the precise point as to which the savings theory and the residue theory of wages must differ is not whether, in the hypothetical case we are considering, there would be a rise of wages: that both theories would agree in predicting. The point at issue, as I understand it, relates to the mode and rapidity of the rise; and the difference of view as to the mode evidently goes back to a difference of view as to the source of wages. At least, if there be no dispute as to the source of wages, I am at a loss to see how there can be any real difference in the case. I have endeavored to get a clear idea of Mr. Walker's precise view on this point, but without entire success. At times, he seems to admit that wages are in the nature of an advance to the laborers; at times, he seems to throw a doubt on the reality of the advance. In one breath, he says, "Wages are, to a very considerable degree in all communities, *advanced* out of capital, and this from the very necessity of the case"; in the next breath, he tells us that "wages are, in a philosophical view of the subject, paid out of the product of present industry."* He heads a chapter with the statement that "The Wages of the Laborer are paid out of the Product of his Industry," and yet, in the course of the chapter, states that, "in those countries which have accumulated large stores of wealth, wages are in fact very generally, if not universally, *advanced*" to the laborers. While his statements are thus somewhat wavering, I gather that, on the whole, he considers the advance as rather a convenience than a necessity, and rather apparent than real. "*When the employer shall pay is a financial question; what he*

* Walker, *The Wages Question*, chap. viii.

shall pay is the true industrial question."* He lays stress on the fact that even in old countries the laborers are not paid oftener than once a week, and in newer countries they commonly wait even longer for their pay, the result being that employers are constantly in debt to their laborers rather than the laborers to their employers.

On the whole, I cannot help feeling that Mr. Walker takes a very imperfect view of the extent to which current wages at any moment are the product of previous labor. If it be not over-presumptuous, I will state briefly my own view of the matter, leaving the reader to judge whether it be the true view or not. In the first place, let me say that the customary analysis of capital into fixed and circulating, or auxiliary and remuneratory, or into fixed capital, materials, and wages fund, seems to me not the best analysis for illustrating the full extent of capital and all its relations to production and to wages. I think a more useful analysis for these purposes would be:—

1. Capital in machinery, buildings, land improvements, money, ships, railways, and other plant.

2. Capital in materials at various stages of growth and manufacture.

3. Capital in exchange, or commodity capital, meaning thereby the stocks of finished commodities awaiting exchange.

One advantage of this division over those commonly used would be that it covers the whole ground, which, I think, the others do not.† Another advantage would be that it would draw attention more strongly than the others do to this question which we are considering; namely, the extent to which wages anticipate the product of the labor they reward. The time required for making

* *The Wages Question*, p. 137.

† It ought to be clear, for example, that the first effect of increased efficiency of labor must be, not to raise wages, but to add to capital,—the portions of capital included in 2 and 3. Increase of production is inseparable from increase of capital in these forms.

the exchanges of products (or, what comes to the same thing, the time required for transporting and the stocks required for trading) must not be overlooked in considering how long a delay must ordinarily intervene, in civilized industry, between the outlay of labor and the presence of its desired result. Obviously, sufficient stocks of finished commodities, conveniently placed to enable each producer to select readily and judiciously the precise articles desired for his labor, are as much a necessity as machinery is.

Now, taking one's stand at any point of time, it is obvious that these three masses of wealth are, in reference to that time, products of previous labor, distinguished from other products by the fact that they do not minister to anybody's enjoyment, are not even (those of them that are good for human use) in the possession of those who are to enjoy them. It is also obvious that whatever wages any man may have received for labor devoted to producing these things must have been drawn from some other source than the product of his own industry. It was a simple necessity, in order that the people of the time should be able to carry on production as they do, that all the labor these things cost should be devoted to the mere business of *getting ready* to produce. Up to the point of suitably preparing all the natural agents and completing all the apparatus of production and exchange; also, of procuring and advancing through various stages a sufficient stock of each sort of material to supply every workman in the whole chain of workmen engaged on it from beginning to end; also, of completing a sufficient quantity of every commodity to stock the shops and warehouses and all the channels of trade,—up to the point of completing all these preparations, it was necessary that labor should be given without a particle of enjoyable return of its own producing. That point once reached, commodities may be drawn off for consumption as rapidly as

they are produced. The producers need only to keep the system going. It will turn out every day enough new commodities to make good the consumption of the day, and men who had nothing to do with the self-denial that established the system may presently imagine that they are living from "current production." The man who gets paid for his week's work at the end of the week may flatter himself with the idea that his wages are "paid out of the product of his own industry." But to call this a philosophical view of the subject is, to say the least, not complimentary to philosophy.

If the world were suddenly swept bare of all the results of past labor that are now used in production and exchange, leaving us our present knowledge and skill, the tools necessary for making tools and machinery, but nothing besides save the land in its natural state, how long should we have to labor (supposing our subsistence provided otherwise than by our own labor in the mean time) before we should fully restore the industrial system as it exists at the present moment? How long, beginning at the beginning of every sort of production, should we have to labor and wait before we could again flatter ourselves with producing our wages before we receive them?

I shall not be so rash as to attempt to answer this question; but I will say, without fear of being contradicted, that the answer to it would also be the answer to a question once asked—and, as I think, very imperfectly answered—by Mr. Walker: How largely, in fact, are wages advanced out of capital?*

Let us now imagine that, during the years the community would have to spend in re-equipping production and restocking exchange, a class of men happened to have the power of acquiring day by day, no matter from what source, a supply of commodities answering in all respects

* *The Wages Question*, p. 134. Mr. Walker treats the question as if it were chiefly one of current account between each employer and his laborers.

to the supply that would have been forthcoming in the ordinary way, if no interruption had occurred. What, under those conditions, would be the measure of wages for all other men during the period of preparation for production? Would it be the total supply of commodities received, or that portion of the total supply which the recipients chose to spare from their own consumption for the sake of present service and future gain? I think that in this case we should all agree both as to the measure of wages and as to the extent and reality of the advance. We should also agree, I suppose, in holding that the amount of savings constituting the measure of wages would not be irrespective of the total receipts, though a knowledge of the total receipts would not enable us to predict the amount of the savings. We should also agree, I suppose, in holding that the amount saved to pay wages would not be irrespective of the anticipated future yield of the labor to be paid for, though a knowledge of the future yield would not enable us to make even a confident guess as to the amount of the savings. Even if we knew the total receipts exactly, and could foretell the future yield of re-established industry with perfect certainty, we should still be in the dark as to the amount of savings, and consequently as to the rate of wages, until we knew also the state of mind of the lucky owners of the bonanza. If these happened to be frugal men, wages would be higher: if they happened to be unthrifty, wages would be lower. We should all, I think, be ready to recognize here an element that does not readily submit itself to the yoke of a formula; and we could not confidently say much more than that wages would depend on the amount these men, being the men they are, choose, in view of all the circumstances, to spare from their own consumption for the purpose of hiring laborers. As to wages in this hypothetical case, then, I think we should not find any ground for serious difference.

Yet I conceive that the conditions determining wages in actual life do not differ in any essential respect from those that would determine wages in this imaginary case. We are, in fact, re-equipping industry all the time. The capital in machinery and buildings wears out little by little, and has to be replaced. The stock of capital in materials is constantly passing off into finished commodities, and has to be as constantly renewed. The stocks of finished commodities are drawn down every day by the purchases of consumers, and have to be replenished, in order that exchange may be carried on effectively. The labor bestowed on each of these objects is precisely as far removed from the enjoyable result it has in view as the corresponding labor in our imaginary case would be. There is, therefore, the same cause for an advance of wages, and for the same period, in the one case as in the other, though, in the infinite complexity of actual industry, the fact may be less easy to perceive. Also, those who own the supply of commodities now on hand, and the machinery and materials for making more, have as effective a monopoly in fixing the rate of wages as the receivers of the corresponding supply would have in our imaginary case.

Perhaps enough has been said to indicate that in my opinion it is at least a little premature to say that the wages-fund theory has been "exploded." Some statements of it may no doubt have been fairly open to criticism. It would be strange if the first statements of so complicated a matter as the law of wages had been quite perfect. Defects of exposition we may hope to remove; but the essential principles of the wages-fund theory rest, in my judgment, on too solid foundations to be even greatly shaken. If the fact that the saved products constituting the wages fund come from production has been in the least overlooked, let us have it more clearly insisted on. If there has been any suspicion that the wages fund

means a store of things locked up somewhere before hiring and production begin; or if anybody has regarded the intention to save as differing essentially from other human intentions and not liable to be changed by change of circumstances; or if anybody has ever supposed that the fund for paying wages is anything else than a portion of the commodities that are continually emerging from production; or if the fact that, as a body of wealth, all capital is by turns wages fund, has been sometimes lost sight of; or if it has been assumed anywhere that changes in the efficiency of labor do not react on the fund for paying wages,—if any of these defects, or any other defects, are to be found in existing expositions of the theory, let us by all means endeavor to get rid of them. But it would be poor policy to throw away wheat, in order to be rid of chaff. While thus unable to accept the main propositions for which Mr. Walker has contended, I cannot close without avowing my grateful recognition of the important service he has rendered in relation to this difficult portion of economic theory. If he has established no new doctrine, he has certainly done much towards improving the old. Future writers on these subjects, whatever their opinions may be, cannot safely overlook what he has written. If the treatment of wages shall henceforward dwell less on the mere formula and more on the industrial conditions, less on the arithmetical process and more on the quality of the living men back of the arithmetic, we shall be largely indebted for the improvement to Mr. Walker. This, if not the precise end he has had in view, is at least so far akin to it that he may well regard such an issue of his labors with entire satisfaction.

S. M. MACVANE.

“FUTURES” IN THE WHEAT MARKET.

TRADING in contracts for the future delivery of wheat has grown to large proportions in the United States of late years. And, when attempts were made during the past summer to corner the wheat market at Chicago and at San Francisco, the enormous amount of capital so employed, and the predominance of speculative activity at those cities, naturally drew unusual attention to what has been described as gambling in our chief food staple. Leading newspapers throughout the country roundly denounced the speculators for the derangement of trade and the abnormal prices resulting from attempted corners, and, as so often in the past, called in question the legality as well as the morals of what is known as “the future contract.”

In June, the New York *Tribune* concluded a discussion of the effects of speculation, by saying that “in time a wiser public opinion will prevail here, holding speculation in food products hostile to public welfare and the gambler in grain an enemy of the American producer.” Even more direct were the allegations of the Buffalo *Commercial Advertiser* in August, when it declared that “certain little speculative games, much in vogue in American commercial centres, . . . have made the exchanges of our large cities huge gambling clubs,” and added that “among those demoralizing customs is the practice of dealing in ‘futures,’ ‘options,’ buying and selling on margins without transfer of merchandise.” These are but samples of the language used by leading daily newspapers throughout the country during the past summer. In the United Kingdom, similar comment is not wanting. The *St. James Gazette*, of London, asks, “At what point does legitimate trading suddenly become transformed into mad

speculation, involving the public in the greatest inconvenience and entailing loss or ruin upon thousands of innocent people?" The *Mark Lane Express*, whose antipathy to dealings in futures is well known, volunteers the information that "these contracts (futures) are framed to allow of differences in value at a certain date or within a certain time being paid or received, the commodity itself never being intended to pass from the one party to the other. The seller does not possess it. The buyer does not intend to receive it."

The indictment contained in these extracts, if it can be sustained, is certainly broad enough. It not only comes from hundreds of writers for the newspapers, but crystallizes the belief of thousands of intelligent people,—merchants, farmers, manufacturers, and legislators. Such an outcry should not be ignored. When public opinion, as mirrored by the press, strongly condemns the methods of those who collect and distribute our harvests at home and abroad, it is time that an examination should be made as to the facts.

The future contract is the agreement, often erroneously called an "option," by which the seller binds himself to deliver a certain quantity of wheat at a specified price at a date named. The form for these contracts, in use at the New York Produce Exchange, is as follows:—

GRAIN CONTRACT. ("FUTURE.")

NEW YORK, 18.....

In consideration of One Dollar in hand paid, the receipt of which is hereby acknowledged, have this day sold to (or bought from) bushels of
, New York inspection,
 at cents per bushel, deliverable at
 seller's (or buyer's) option, 18.....
 Signed,

This contract is made in view of, and in all respects subject to, the By-laws and Rules established by the New York Produce Exchange.

If the contract be for 8,000 bushels of No. 2 red winter wheat, September delivery, the "option" consists in its resting with the buyer or the seller (whichever the contract specifies) to say on what day in that month the delivery shall be made.

Let us suppose that a general storekeeper or a local grain buyer has received at Parsons, Kansas, in odd lots, or has been through the country and bought, some 16,000 bushels of wheat, and has had it delivered at the elevator alongside the railway. The farmers in Labette and surrounding counties in Kansas presumably take the Parsons *Sun*, and, in addition to keeping themselves informed as to the price of wheat at Chicago and New York daily, are familiar with the market price of wheat at Parsons. The latter depends primarily on quotations at St. Louis, and indirectly on those from New York, winter wheat markets; for winter wheat is raised in Kansas. The Parsons price is nominally the St. Louis price less the cost of transportation thither. The local shipper believes that his 16,000 bushels will grade No. 2, New York inspection, and has paid, on an average, about 54 cents per bushel for it. We will further suppose the cost of shipment to New York to be 25 cents per bushel. It is August. The late "iniquitous speculation and attempted corner at Chicago have killed trading in wheat," and the price at New York has fallen to 80 cents, with the market likely to drag for some time; but telegraphic report reveals a more active market at New York, with an advance of $1\frac{1}{2}$ cents. Thereupon, this speculative wheat buyer wires a New York grain commission house to sell for his account; September delivery, 16,000 bushels of wheat, and proceeds to load his grain into cars and send it to New York to meet his contract. The New York merchant goes upon the floor of the Produce Exchange, and sells (by contract), for September delivery, 16,000 bushels of wheat, which particular grain is at that mo-

ment in a little elevator out in Kansas. The purchaser of this wheat represents an English house, which imports wheat to sell to millers in the United Kingdom. The Parsons merchant sold when he did on a "bulge," believing that the general outlook for the next six weeks favored a low and dull market, and wishing to get the benefit of the temporary advance. The exporter bought when he did on a direct order from the firm abroad. But, within two hours or twenty-four hours, the exporter, finding ocean freights tending downward, seeing also a prospective decline in prices, and believing that he will be able to make better arrangements for export at a later day and still meet the wants of his principals, sells 16,000 bushels of wheat—this particular 16,000 being in mind—to a New York miller, who, for reasons of his own, wants it. A day later,—or, perhaps, on the same day,—the miller, finding a fractional advance in prices and aiming at a subsequent purchase to supply his mill, in turn sells 16,000 bushels of wheat for September delivery. It is purchased by a member of the Produce Exchange, because he "thinks it cheap" or for "purely speculative reasons," who disposes of it, either at a small loss or profit, to another "scalper," and so on, until sales have been made perhaps twenty times.

This brings us to a consideration of the means by which future contracts are closed out in actual practice. All future contracts (New York and Chicago) contemplate the actual delivery of the grain, and they may be closed out only in one of three ways:—

First.—By the actual delivery of the grain, which may be by elevator or warehouse receipts or by the moving of the grain alongside, if from commission merchant to exporter. Under this head, too, comes the system of delivery on what are termed "transferable orders." The contracts on the New York Produce Exchange read, we will say, "sellers' option," which refers to the day on

which the grain shall be delivered. In the case of repeated sales of 16,000 bushels of September wheat given above, suppose the actual wheat arrived at New York September 10, and that the final buyer in the list of, say, twenty who had been trading in it, an exporter, having freight room engaged, wants just 16,000 bushels to make a cargo. By means of a transferable order, the merchant who first sold the 16,000 bushels, September delivery, and to whom the wheat was consigned, delivers the wheat to the twentieth man in line, each of the intermediate traders signing it and passing it along in succession. In this way, all the "trades" between the original seller and the last in line are wiped out by each of the pairs of buyers and sellers paying one another "differences," as compared with the "settlement price" established each day.

Second.—By indirect settlement, which may be described as delivery by clearing the contracts. We may suppose that the New York merchant who first sold the 16,000 bushels of wheat received, soon after, a cable order to buy 16,000 bushels of September wheat. He encounters the man to whom he had previously sold that quantity (contract not yet expired), and buys 16,000 bushels of wheat, September delivery. When the wheat arrives at New York, the two transactions referred to may be settled by cancellation. A sold to B, and B to A, both for September delivery. In theory, A would have to deliver the wheat to B, and receive a check, whereupon B would deliver the identical wheat back to A, and receive A's check; but this uncalled for friction is avoided by the simple process which suggests itself to men everywhere and in all lines of business.

Third.—By indirect settlement, technically called "ringing." The word suggests "rings" and "corners," but its application in this instance is entirely devoid of offence. This process may be best explained by further reference to the supposititious sales of 16,000 bushels of

Kansas wheat, where A sold, September delivery, to an exporter, he to a miller, the miller to a speculator, the latter to another, and so on until there were, say, twenty firms or individuals in line. Now let it happen that A receives an order to buy September wheat, and in doing so gets it from the twentieth man in the line just described. By this act, the like of which may and does frequently happen, a "ring" is created. And, if all parties in interest so elect (it being optional with each of them whether to ring out or not), all the contracts may be settled by the payments of differences, based on the settlement price, as described in the case of transferable orders. And this appears to be an actual delivery, too. A sold actual wheat, and was bound and intended to deliver it. Upon his ability to keep his contract, nineteen other trades depended. The last buyer, in the course of business, became a seller to the first. Would it make the method of settlement any more legitimate if A actually turned over his wheat to B, and B passed it on to C, and this was kept up until the twentieth buyer received it, and handed it over to A again?

Those who merely desire to indulge gambling proclivities by speculating in grain may as well stick to the bucket shops. It is true that such an one may buy and sell at the Produce Exchange, and collect his profits or contribute his losses through a commission house or brokerage concern; but let us note where he would land, if he, as principal, proposes to "scalp for eighths." Suppose A to be a member of the New York Produce Exchange, who regards future trading as "bets on the market price,"—a mere collection or payment of differences, with no grain to be delivered or received. He buys 8,000 bushels of December No. 2 red wheat, say at $83\frac{1}{2}$ cents, and within an hour sells it at 84 cents, making an apparent profit of $\frac{1}{2}$ cent per bushel, or \$40. Following his steps, under the rules of the Exchange, it is found that he first

buys at $83\frac{1}{2}$ cents from B & Co., who are selling for London account, to protect purchases of California wheat in transit. Under the rule, B & Co. call the buyer 10 cents per bushel,* original margin, or \$800, to be deposited to protect the contract. Second, A sells at 84 cents to C & Co., capitalists, who, on the basis of the purchase of December at 84 cents, sell January at $85\frac{1}{2}$ cents, so as to secure carrying charges of $1\frac{1}{2}$ cents for the month. C & Co. also call \$800 (or \$400), original margin; and such margins must be put up within one hour from the time when called. A now has two open contracts for December, a purchase from B & Co. and a sale to C & Co., and has up \$1,600 (or \$800), original margin, on which he receives interest at the rate of $2\frac{1}{2}$ per cent. per annum, although the money is worth to him 6 per cent. He is therefore losing $3\frac{1}{2}$ per cent. interest on the amount of his margins until the contracts are liquidated. A is also obliged to put up additional margins, in case the price advances or declines while the contracts are open. If the price advances 5 cents, he has to put up \$400 additional margin with C & Co. If it declines 5 cents per bushel, he has to put up a like sum to protect B & Co. If B & Co. make no trades meanwhile that will "ring out" with C & Co., and so let A out, this money is kept up as margin until December 1, when B & Co. deliver to A a load of wheat at $83\frac{1}{2}$ cents, and A at once delivers it to C & Co. at 84 cents, adjusting the contract to the settlement price, which may be higher or lower. A then realizes his \$40 profit, less loss of interest on his margins, and discovers that he actually bought and sold wheat, and did not merely bet on the market.

It should be added, particularly for the benefit of those who regard "futures" as excuses to bet on prices of grain, with no expectation on the part of buyer or seller to

*Or they may call 5 cents, if the buyer be in good credit, or \$400.

make a delivery, that, if the grain due on such a contract be not tendered (sellers' option) before 1.30 P.M. of the last business day of the month, the purchaser notifies the committee on grain to buy it in for his account at public "call," which is done. The grain so bought in is then a good delivery on maturing contracts that day.

The validity of contracts for future delivery, of which the above is an example, has been the subject of conflicting decisions in the State courts; but in the Supreme Court of the United States, in the case of *Irwin v. Williar*, decided early in 1884, the American law was authoritatively stated by Mr. Justice Matthews, as follows:—

The generally accepted doctrine in this country is, as stated by Mr. Benjamin, that a contract for the sale of goods to be delivered at a future day is valid, even though the seller has not the goods nor any other means of getting them than to go into the market and buy them; but such a contract is only valid when the parties really intend and agree that the goods are to be delivered by the seller and the price to be paid by the buyer. And if, under guise of such a contract, the real intent be merely to speculate in the rise or fall of prices, and the goods are not to be delivered, but one party is to pay the other the difference between the contract price and the market price of the goods at the date fixed for executing the contract, then the whole transaction constitutes nothing more than a wager, and is null and void. And this is now the law in England, by force of the statute of 8 & 9 Vict. c. 109, s. 18, altering the common law in that respect. Benjamin on Sales, §§ 541, 542, and notes to fourth Am. edition by Bennett.*

*110 U. S. 499. The American cases are collected by Benjamin, in the place cited. Julius Aron, in his valuable compilation, *Futures* (New Orleans, 1882), points out that the doctrine that an executory contract for the sale and future delivery of goods does not become a wager by reason of the seller not having the goods in his possession when entering into the contract, was not questioned in England until 1822, when Lord Tenterden, in *Lorymer v. White*, 1 B. & C. 1, said that the practice of making such contracts was not to be encouraged. Later, at *nisi prius*, in *Bryan v. Lewis*, 1 Ry. & Moo. 386, he ruled that, if one contracts for the sale and future delivery of goods and neither has them at the time nor has contracted for their purchase nor has any reasonable expectation of receiving them, but means to go into the market

It must be added that repeated efforts have been made by State legislatures to stop trading in futures,* the laws of Illinois being, perhaps, the most interesting and instructive example of this kind of legislation. But it is too much to expect that want of success will prevent the repetition of these efforts.

The most important, because the most necessary, commodity traded in is the chief food staple of civilized communities, wheat. A broad view of the equities of trade in this line must place special emphasis on the need for all natural or artificial aids or devices tending to cheapen the cost of flour to the consumer. When society in leading wheat-consuming countries was more primitive than it now is; when general distribution, in some instances over a series of years, was not equal to home requirements; when the farmer carried his grain to the banks of the nearest river to find the miller who met the local demand for flour and shipped a surplus to the neighboring town:—in short, when there was little, if any, need for large stocks of wheat or for "centres of distribution," as we now understand the term, then it was that Produce Exchanges and Boards of Trade were unknown, and the existing form of future contracts in grain had not made its appearance.

But with increase of population, changes in currents of trade, exhaustion of soils, the rise of competitive industries, the enormous reduction of the cost of transportation, and the cultivation of new and fertile areas of soil, certain countries found themselves producing less and less

and buy them for delivery, such a contract is a wager on the market price of the goods. But, after being doubted in one or two cases, this doctrine was set aside in 1839, in the case of *Hibblewhite v. McMorine*, 5 Mees. & W. 462, with emphatic language by Barons Parke, Alderson, and Maule. The English doctrine appears, then, to be in harmony with that of the Supreme Court of the United States.

*Ohio, Laws of 1885, p. 254; Illinois, Statutes (Starr and Curtis's ed.), ch. 38, § 170; Arkansas, Statutes (Mansfield's ed., 1884), § 1848; Mississippi, Laws of 1882, ch. 117.

wheat, and others raising far more than they could consume. Thus, the United Kingdom, with 37,000,000 population and a wheat crop of about 75,000,000 bushels per annum, has to import about 145,000,000 bushels for food, besides maintaining stocks. This requires an average of about 12,000,000 bushels of wheat monthly from other lands. Elaborately devised machinery for buying wheat at a moment's notice in the cheapest market, so as not to overstock in the face of possible declines in prices, is now an absolute essential; and, with it, the United Kingdom and other countries successfully wrestle with starvation. Harvest seasons are widely distributed throughout the year. Australia, New Zealand, Chili, and the Argentine Republic (moderate exporters) gather their wheat in January; Egypt, Persia, and Asia Minor, in April; California and Oregon, Kansas and Missouri, in June; Austria-Hungary, Southern Russia, Dakota, Minnesota, Wisconsin, Nebraska, Iowa, Illinois, Indiana, Michigan, Ohio, and Canada, in July; Manitoba, in August, and Northern Russia, in September and October. It is comparatively within recent years that the United States, India, Russia, Australia, and New Zealand have found themselves competitors in supplying the chief importing countries. Surplus yields are now coming into sight in different quarters of the globe at different seasons, and in quantities which vary from year to year with the conditions governing growth. This has developed the great grain markets, like Bremen, Hamburg, Lisbon, Paris, Marseilles, London, Liverpool, Bristol, Glasgow, Odessa and St. Petersburg, Bombay, Kurrachee, and Calcutta, Melbourne and Sydney, New York, Chicago, Cincinnati, St. Louis, Toledo, Philadelphia, Baltimore, and New Orleans.

The grain trade at these cities is responsible for the large and growing task of securing the surplus wheat in exporting countries, transporting it to centres of distribution, grading and storing it, or for placing such a share

of it as may be spared in that portion of the world where it is most needed. In importing countries, they seek to secure wheat in the cheapest markets, without so supplying themselves that a decline may find them overstocked at relatively high prices. Hence the necessity for a most important statistical work,—that of obtaining the latest information concerning crop prospects, harvest returns, qualities, and acreage; stocks of wheat "in sight" at principal points of storage, in the more important grain exporting and importing regions; receipts of grain at interior towns and at shipping ports, stocks exported, stocks afloat and arrived out, and a multitude of other facts tending to fix the actual value of wheat. No small share of this information is that relating to ocean shipping, berth-room and charters available at various ports, the quantity of tonnage on the way thereto, the prospects of return cargoes, and much else influencing rates of ocean freights, and in turn aiding to determine the price of wheat at Liverpool.

This work has to be done, that the world may be fed regularly and cheaply. The machinery necessary to its accomplishment has not been developed in a day; and there is, undoubtedly, still room for growth and for improvement of method or detail. But in view of the intricate problems entering into the work of securing, "carrying," and distributing surplus wheat from various portions of the globe, briefly outlined above, it appears almost a self-evident proposition that the work in hand cannot continue without contracts for future delivery.

Wheat stocks in the United States are from seven to ten days from Liverpool; those in Russia may be conveyed to English ports in from twenty to thirty days; supplies at ports in India are a thirty days' voyage from London; those from the Argentine Republic require ninety days, and from Australia and California about five months. The requirements of English and Scotch millers are for

various qualities; and British importers must continually keep in view the amount of home stocks, the relative wheat harvests and general quality of the yields in exporting countries, the fluctuations of prices abroad and the tendency of prices the world over, in view of generally large or small yields in late years,—not omitting temporary or local influences in any large market, due to weather reports, attempted corners, “cut rates” of transportation, and the like. This leads directly to some distinctly economic uses of the future contract, to emphasize which illustrations from actual transactions will be useful.

A Glasgow miller, in February last, desired to purchase 100,000 bushels of California wheat to grind into flour. The price had been tending upward, due in part, perhaps, to some of the earlier movements of the late wheat corner at San Francisco. He purchased 100,000 bushels of California wheat, engaged freight room, and had it shipped to Glasgow. We will say that the price and freight would make the wheat cost him in Glasgow about \$1.07 per bushel. But this wheat would not arrive out until September or October, five months away. By that time, following the Atlantic coast harvests, and with the then probable renewal of arrivals of Russian and Indian wheat, the Glasgow price might or might not be lower than \$1.07. In order to insure himself against loss, the Glasgow miller sold 100,000 bushels of wheat for October delivery at New York. The California wheat arrives at Glasgow, but the price of wheat the world over has declined, and the miller finds that it has cost him two or four cents per bushel more than the then ruling price. Under strictly old-fashioned methods, had he not sold 100,000 bushels of October wheat at New York, he would find himself at a decided disadvantage in competition with millers who had not anticipated their wants as he had. But he is not so placed. When he found

the market a few cents lower (the world's chief markets, under normal conditions, being on a parity one with the other), he cabled an order to New York to buy 100,000 bushels for October delivery. At the maturity of his New York speculative contracts, he finds a profit about equal to the loss on his California transaction. So that, notwithstanding he bought 100,000 bushels of wheat at a cost of \$1.07 delivered, he in reality gets this wheat at \$1.03 to \$1.05, owing to his protecting future contracts, the price last given being, we will say, about the ruling quotation at the date of the arrival out of the consignment from San Francisco. Had he found a profit on his California wheat when it arrived,—that is, had the price advanced three to five cents per bushel after the grain left San Francisco,—he would have covered his New York sale at a corresponding loss, thus leaving him situated as before. In this way, English millers and importers of wheat, buying in the United States, Russia, India, Australia, or elsewhere, habitually protect such purchases from fluctuations in price, while in transit (one to five months), by selling futures against them at New York or Chicago and later by covering their contracts. And, when we consider that wheat export purchases made in this country, in Russia, India, and other parts of the world, aggregate some 250,000,000 bushels per annum, and that a very large proportion of the isolated purchases are sold against in New York and Chicago, so that they cost the buyers no more delivered than a decline while in transit may entitle them to, and that all of these sales are in time covered by corresponding purchases of wheat, and that in all cases these "speculative" sales and purchases call for the actual delivery of grain, we may gain some conception of the reasons why future sales make so large a total every year.

But these insuring or protecting sales and purchases of grain are by no means confined to foreigners, who buy

throughout the world and ship to Europe. One may also find ample illustration at home. A New York merchant buys 100,000 bushels of No. 1 hard wheat at Duluth, and orders it shipped by vessel to Buffalo, to go thence to New York by canal. He does this, not because he "wants the wheat for his own use," but as a merchant who believes that the Duluth price and the cost of getting the grain to New York, in view of known or apparent market conditions or of anticipated requirements abroad, will enable him to sell the grain in New York at a profit. With a more primitive view, he would ship this grain, wait until it arrived, look for a purchaser, and, finding one, sell the wheat at the price current at date of arrival, —say, three weeks after he bought it. If at a profit, well and good; but if the price had declined, he would sustain a heavy loss, owing to the size of the shipment. Thus, when the world's requirements are for large available stocks, and the movement of grain must be in large lots, the future contract comes in to protect the handler. The New York merchant, therefore, sells 100,000 No. 2 spring, September delivery, at Chicago, at the date of his Duluth purchase, in August. When the wheat reaches Buffalo, the price has advanced and millers there want some No. 1 hard wheat. He sells them 25,000 bushels, and buys 25,000 bushels of No. 2 spring wheat at Chicago, September delivery, to make good the original quantity purchased. By this time, he has also sold at New York 100,000 bushels, September delivery, to an exporter, and bought 100,000 bushels more at Chicago, relying on the 75,000 bushels on the way and his ability to get 25,000 bushels more, before it is demanded, to keep his engagement. When the 75,000 bushels of No. 1 hard spring wheat reaches New York, the price has declined fractionally; and the owner is enabled, in consequence, to purchase 25,000 bushels at a slightly better price, relatively, than he had paid in Duluth, selling

25,000 bushels coincidently at Chicago for September delivery. He lost on his Duluth purchase and on the 25,000 and 100,000 bushel purchases at Chicago, and on the 25,000 bushel purchase at New York. But he made rather more than corresponding gains through his sale, spot delivery, of 25,000 bushels at Buffalo, including profits on his sales of 225,000 bushels for September delivery at Chicago and at New York, so that he gains on sales of 250,000 bushels and loses on the purchases of 250,000 bushels. The transaction, as a whole, is not very profitable; but millers at home and abroad get wheat at the lowest market price at dates of purchases, the grain is moved from Minnesota elevators to Buffalo and New York and to the Glasgow mill, and the merchant whose sagacity, energy, and foresight led him to aid in the undertaking, even when price conditions were unfavorable, is able to protect himself from excessive loss, without depressing the price to the original holder, who represents the grower, and without having an incentive (not to mention the ability) to unduly advance the price to the consumer, as represented by the miller.

This transaction is simpler than thousands which take place at the leading grain centres throughout the United States almost daily. The quantities of wheat involved may or may not amount to 500,000 bushels; but the total nominal transactions, those which may take place while the grain is in transit, and the protecting sales (which always amount to double the quantity first purchased) may be three or twenty times the actual quantity on which they are based. Here, too, one may find an economic purpose in the collection and grading and maintaining in good condition, by means of weighers and inspectors at the chief interior and seaboard cities, of large stocks of wheat,—in addition to the incentive which comes from a desire to hold it in readiness to take advantage of a demand at home and abroad.

Considerations such as these naturally raise the question as to the proportion of sales of cash wheat and of wheat on future contracts. While official circulars of the grain exchanges at the principal Eastern and Western wheat markets give a daily record of sales of wheat, spot and future delivery, it may be fairly questioned if any of them succeeds in reporting all of such sales. Official reporters on the exchanges, note-books in hand, call on the members of the boards while on the floors, daily, with requests for the amount and character of sales made and prices obtained. But complete returns are not always furnished. Furthermore, the statisticians or secretaries of the exchanges, so far as I can learn, do not give in any instance aggregates of cash or future sales, by weeks or by months, so that there is no available report having an official character. So important, however, are records of this kind, indicating, as they probably do when considered over extended periods of time, a fairly constant proportion of the actual totals, that I have been at some pains to go over the official daily circulars of the New York Produce Exchange, to learn what the details mean when collated, added, and classified. Here is the result:—

TOTAL RECORDED SALES OF WHEAT AT THE NEW
YORK PRODUCE EXCHANGE.

[ON AND OFF CALLS.*]

By WEEKS DURING THE FIRST HALF OF 1887.

During Weeks ended		Bushels.	
		Sales, spot.	Sales, futures.
Jan.	8,	1,089,200	25,131,500
"	15,	1,303,200	25,450,000
"	22,	1,632,800	15,030,200
"	29,	900,000	15,488,700
Feb.	5,	1,021,000	16,222,000
"	12,	1,368,000	33,316,000
"	19,	2,044,000	36,404,000
"	26,	1,855,500	33,856,000
March	5,	1,192,580	28,119,420
"	12,	1,639,080	48,923,320
"	19,	1,331,000	44,174,000
"	26,	1,602,000	21,480,000
April	2,	899,000	34,561,000
"	9,	875,000	23,970,500
"	16,	1,227,000	39,383,000
"	23,	2,046,000	36,143,000
"	30,	2,097,000	48,627,000
May	7,	2,441,000	63,376,000
"	14,	3,047,000	40,004,500
"	21,	2,549,500	24,937,000
"	28,	3,356,500	23,890,000
June	4,	2,030,000	20,896,000
"	11,	1,434,000	22,553,000
"	18,	4,521,000	84,945,000
"	25,	3,370,000	41,474,000
July	2,	1,955,000	18,238,000
Totals,		48,836,360	867,594,740

The arrangement of the totals by weeks indicates the average fluctuations in the volume of transactions for both spot and future delivery, during a period with the characteristics of which we are all more or less familiar. The

*The "call" is a daily formal gathering of the members of the board, where each staple in which there are regularly established dealings is officially "called" in a specified order and a record is kept of the prices thus fixed and the parties to the transaction, the sales being made by auction to the highest bidder. Transactions here are formal as opposed to the informality of dealings carried on in the wheat-pit. It is on call, also, that trades are closed out by buying in or selling out under the rule, after complaint to the grain committee of commodities defaulted on, under contract. In this way, settlements of the contracts of failing traders are matters of record. The call also enables banks and others lending money on grain as a security to know, day by day, what are the officially established prices.

total sales of cash wheat (spot delivery) during the six months are equal to about twice the receipts at New York during that time, omitting quantities necessary to maintain stocks and local mill requirements. Sales by contract for future delivery at New York within the six months amounted to about thirty-five times the receipts of wheat within that period, and comprise 94½ per cent. of the total cash and future sales. The future sales as reported are nearly double the total reported harvest of wheat in the United States in 1886, which was 457,000,000 bushels. The totals of cash and future sales at both New York and St. Louis, the leading red winter wheat markets, as given in detail only in official reports of the grain exchanges at those cities, both on and off calls, are found, after careful compilation, to be as follows:—

During first half 1887.	Sales, cash.	Sales, futures.
At New York, bushels,	48,836,000	867,594,000
At St. Louis, "	5,675,000	134,720,000
Total sales, bushels,	54,511,000	1,002,314,000

It is undoubtedly well within the limits of probability to assert that future sales of wheat at St. Louis, Chicago, and Toledo, with like trading at leading Atlantic ports, aggregated during the first half of 1887 considerably in excess of 2,000,000,000 bushels of wheat; in other words, that they more than equalled the total production of wheat in the world in 1886.*

There is, however, a class of men trading in futures in addition to those already outlined. There are members of Boards of Trade and Produce Exchanges who

*I know of no other report of aggregates of sales of wheat futures over a considerable period of time, and have sought to compile this from insufficient data, with the intention of making a statement as to the probable situation, whether the result on the surface appear to the advantage of those most interested or not.

sell and buy wheat with no intention of being connected with the work of moving or marketing the crops, — "speculators pure and simple." At times, a group of them may sell futures furiously, merely for the purpose of depressing prices. Should buyers be scarce, this onslaught would be likely to result in prices going off, when the sellers might, as they frequently do, cover their short sales at a profit; or the intention may fail absolutely, as is more often the case, unless action is based on the broader conditions of the market, and aided by special information or better insight into the operations of demand and supply in the near future. This may be the beginning and the end of the operator's interest in wheat. But the volume of trading in futures is not made up of transactions of this character. When it is recalled how the interior wheat buyer, the city grain merchant, the miller, the exporter, and the foreign importer or miller are all engaged daily in securing and moving or selling lots of wheat, varying from 8,000 to 500,000 and even more bushels, and that purchases of parcels of spot grain to be moved are protected by sales of futures, which have to be covered later by purchases, it is easy to see where the bulk of trading in futures comes from; and there is also, in the estimation of the writer, a reasonable and proper cause for operations of this nature.

Still, it is urged—as, for example, by a San Francisco journal—that trading in futures furnishes the opportunity "and a temptation" that "few care to resist to get up a corner on the market, and, as in the present instance" (June, 1887), cause "universal embarrassment and widespread ruin and disaster." Now, it must be remembered that "corners" thrive on special information, or intelligence in the exclusive possession of those having large experience and means: whereas, the growing tendency of the present system of trading is towards the collection and dissemination of better and more complete intelli-

gence regarding production, stocks, transportation, and consumption of the product. Corners in food-stuffs were formerly far more successful than of late years.

The meaning of an attempted corner is that the would-be cornerers believe that the probable supply will not be equal to the expected demand, together with requirements for maintaining what are denominated minimum stocks on hand. The past eight months are strewn with the wrecks of attempted corners in cotton at Galveston, New York, and Liverpool, and wheat at San Francisco and Chicago. Confining attention to those in wheat, it may be premised that the real — that is, the statistical — basis of the San Francisco and Chicago attempts to corner wheat was, on the face of it, sufficient to indicate probable success. English and French stocks were lower than they had been for years. The government Agricultural Bureau reported a crop of 457,000,000 bushels of wheat (both coasts) in 1886; and various investigations of "invisible" wheat stocks in the United States on July 1, 1886 (stocks of wheat in and out of farmers' hands, not in sight at specified points of accumulation), indicated that our visible and invisible wheat supplies a year ago amounted to about 75,000,000 or 80,000,000 bushels. The calculation of probable wants ran about as follows:

	<i>Bushels.</i>
Crop of wheat, 1886,	457,000,000
Wanted at home, to July 1, 1887, for food and seed, etc.,	335,000,000
Apparent probable supply available for export, . . .	122,000,000

or 4,000,000 bushels less than the annual average exports since 1881. This, in the face of low stocks abroad, the growth of population and the decline in the average annual export price of wheat in the United States from 106.6 cents per bushel in the year ending June 30, 1884, to an average of 87 cents per bushel in the three years following, was believed (as subsequently proved to be

true) to point to excessive takings for export during the year ending June 30, 1887. To supply such a demand, the supposed reserves would have to be depleted. Hence, the notion of the practicability of a corner in the late months of the last cereal year.

Simplifying the operations of those who conducted the cornering operations, we find that they went into the market in the cities named in the earlier months of the year, and bought all the June wheat that they could induce members of the exchanges to contract to deliver to them; that is, a regiment of San Francisco speculators, as well as thousands of farmers and others, contracted to deliver so many thousand bushels of wheat during June. In Chicago, hundreds of traders, and others there and throughout the country, notably the large millers of the Northwest,* sold likewise for future delivery to the "clique" at Chicago. The price of wheat advanced at Chicago and at San Francisco, and, as inevitable, though to a less degree, throughout the world's markets; that is, the price of the cornered future advanced, as that was in demand. I have not heard those who sold these millions of bushels of wheat called cornerers nor gamblers, nor are they generally regarded as having helped a corner. Yet they sold what they did not possess, expecting to be able to obtain it in time to make a good delivery. Many millions of bushels of wheat were sold (at Chicago) by those who had wheat in elevators in Minnesota, held largely for milling purposes. This they sold against in Chicago, and shipped the wheat to meet the contracts as rapidly as they could get cars to carry it. In fact, every "short" expected to have to make good his contracts to deliver wheat.

Never was there a better illustration of whether future contracts are based on actual deliveries or not! Chicago warehouses and elevators were bursting with grain. Sidetracks for miles without the city were blocked with cars

* As publicly announced, and not denied.

of grain, which it was impossible to unload at times for want of storage facilities. If this corner was purely a gamble on the mere price of the article, it would appear that there was an unnecessary outcry at Chicago over the lack of room to store the grain shipped there. And, finally, it was the shorts who "broke" the Chicago and San Francisco corners, by demonstrating that interior supplies were ample for actual requirements.

Of the effect of the cornering operations, even in a case where they failed, some are too obviously mischievous to require comment. The fever of speculation which was generated for the time being, the depressing reaction which followed, and the injury to trade in other lines by the locking up of large sums of money in banks at leading grain centres, are evils universally recognized. No doubt, too, such considerable interests as the California and Chicago milling industries were injured. The price of wheat flour in California was advanced, owing to the rise in the price of wheat, from \$5 to \$6.30 per barrel; and Minnesota wheat invaded the Pacific Coast, and sold there at \$5 per barrel. Chicago millers were similarly troubled, although the public there, too, were relieved from anxiety. Trade, moreover, between San Francisco and the United Kingdom was disturbed, owing to the advance in ocean freight rates, caused by the fear of not securing return cargoes of wheat, owing to cornering operations.

On the other hand, it is to be said that the confident assertions as to our exports of wheat being cut off by an artificially stimulated price are not supported by facts. Shipments of wheat (and flour as wheat) from July 1, 1886, to July 1, last, were the largest since 1879-80 and 1880-81, aggregating nearly 160,000,000 bushels. On August 1, the London *Miller* said, "American wheat shipments to the United Kingdom will be seen to have been heavier in the past month than at any other period

of the cereal year." But this is not merely an after-sight. On May 30, the Chicago *Tribune* reported that "arrangements have been made to ship some 20,000,000 bushels from the Atlantic seaboard during June."

In fact, the alleged rise of wheat and the declamatory talk about "raising the price of bread" were not true, even during the lives of the "cliques." The contract grade at Chicago is No. 2 spring wheat. At New York, from April 1 to July 1, spring wheat patent flour did not vary materially in price, except during the latter half of June, when it ranged a trifle lower. Since the break in the Chicago corner, prices of wheat have been "lower than ever before" the world over, which must result to the distinct advantage of the miller, and hence of the consumer, in all directions. The Buffalo *Milling World*, writing of the Minneapolis millers and the collapse of the Chicago wheat corner, says:—

Prices fell about 10 cents, and it is estimated that Minneapolis millers took from 1,500,000 to 2,000,000 bushels at a decline of about 8 cents a bushel. This means a difference of nearly 40 cents a barrel, which, while of course not all profit, makes an appreciable difference in the millers' accounts.

The Chicago *Tribune*, referring to the reaction in prices after the panic at the Chicago Board of Trade, said on July 22:—

The straight grade of No. 2 Chicago spring wheat sold in this market last Wednesday at twenty-nine shillings per quarter in the harbor at Liverpool, being equal to only 87 cents per bushel, "cost, freight, and insurance." This was the lowest price ever reported.

The London *Millers' Gazette* advances the opinion (in August) that:—

With regard to the present general position, it is true that prices of foreign wheat, and especially of American wheat, are now more advantageous to the home miller than they have been for a long time past; for red American wheats were perhaps never so cheap, relatively, as they are now.

The truth is that the advance in the price of wheat at Chicago from February to May was not material. During the following six weeks there was a net gain of 11 or 12 cents per bushel, followed by a drop of 26 cents per bushel, after the crash of June 14. At New York, the corresponding gain in price, May to June 14, was about 3 cents per bushel; and the reaction in sympathy with the break at Chicago was about 10 cents per bushel (to July 2) as compared with two and one-half times that amount at the seat of the disturbance. While, therefore, the extra prices paid for grain by speculators — participants in the clique movements at Chicago and San Francisco — were in fact distributed among thousands of merchants and millers and farmers in the West and Northwest and on the Pacific Coast, the price of wheat averaged much lower than it would have been likely to, except for the attempts to corner, which reflects itself in cheaper bread for millions.

It is in the face of such facts as these that the Knights of Labor were counselled by their executive head "to keep their eyes turned towards the produce exchange; and, the moment the grain or produce gambler announces that there is a scarcity in a certain article of food, every member should resolve that until the unhallowed hand of the speculator has been removed not an ounce more than can be avoided will be purchased." Of course, such a boycott as this, if it could be carried into effect, would be a god-send to the speculative operators; for, in order to secure fabulous profits, they would only have to sell wheat "short" *ad lib*.

The outcome of such an experience as we have had with corners this year must be to discourage them seriously. Men may talk of laws against cornering food products in the great exchanges, but there never was and there never is likely to be a law which can prevent one man or set of men from buying that which is regarded as

cheap, to any extent that others may be willing to sell, or to contract to sell, provided the buyer be able to pay for it. Nor, as has been well suggested, could any court convict and punish so severely and promptly as the inexorable laws of trade punish the speculator who trespasses too far on the peace of the community.*

The general business transactions of the world to-day, not only in wheat and corn and oats, but in coffee and sugar, in cotton, in petroleum and tobacco, in iron and steel, woollen and cotton goods, in building of all varieties, and even the dealings of the humblest retail grocer, are found, upon analysis, to be conducted on the basis of future contracts, either expressed or understood. For example, supplies of sugar and coffee are contracted from the importer or jobber by interior houses on the basis of a future delivery; and the importer in selling sells a future, and often goes "short" in so doing, relying on his ability to buy the product in time to ship it. And when many retail grocers throughout the country refused to buy stocks of coffee early in 1886, believing that the advance in price was too rapid and could not be sustained, they practically went short of the coffee market, to their cost; for they all, sooner or later, had to buy at much higher prices.

The great grain markets of the country have systematized the universal practice, and surrounded themselves with safeguards to permit the more efficient and satisfac-

*The *New York Evening Post* in June last said on this subject: "Yesterday, a clique of wheat cornerers at Chicago were fined more than a million dollars for this offence, and the fine was instantly paid. No public expense was incurred in prosecuting the offenders. The State's Attorney was not called upon to render any service. There was no grand jury to find an indictment, and no petit jury to try it, no struggle between the prosecution and the defence over the selection of jurors, no attempt at embracery, no exceptions to the rulings of the court, no appeal to the higher courts, and no petition for executive clemency. It need hardly be said that no court or jury would ever impose a fine of a million dollars in such a case, and that no sheriff would ever be able to collect it if it were imposed. . . . The million dollar fine was not only col-

tory marketing and distribution of the world's crops of wheat. It has been seen that the greater share of transactions in futures, which have been aptly termed an adaptation of probable supplies to anticipated requirements, consist of protecting purchases and sales, to insure against loss on wheat in transit, owing to fluctuations in prices during the time occupied by shipment.*

The system of dealing in wheat by means of future contracts may therefore be declared to result in positive and direct economic advantages. It furnishes a ready market to the producer, who can no longer carry necessary surplus stocks. It affords a means of transporting wheat from far distant producing countries at a fixed price delivered, at a minimum of loss through fluctuations of prices while in transit. It enables the trade to collect enormous stocks of wheat and carry them over from seasons of plenty to seasons of scarcity, without loss to producers, millers, or consumers (when considered over considerable periods of time), as may be shown by the records of the decline in prices of wheat and of flour,

lected in a summary manner from the wheat cornerers, but it was collected from each of them in the right proportions, and from the absentees as well as those present. If there were any participants residing in London or Liverpool, they, too, paid their proper share. . . . Judgment, execution, and punishment all came instantaneously. There was a flash of lightning and a clap of thunder; and then the sun came out, and everything was serene again. The world is going on as before, and is just as rich as before. There has been a transfer of capital here and there. It has generally been from the pockets of the speculating class to those of the producing class."

* Well-informed and experienced members of the grain trade have the impression that this class of dealings in futures constitutes by far the greater share, in the absence of special temporary disturbing influences. If 100,000,000 bushels of actual wheat were moved in the United States east of the Rocky Mountains, between January 1 and July 1, last,—a low estimate,—and 150,000,000 from exporting countries, we may regard 250,000,000 bushels as an approximate total of the quantity against which double that amount of protecting sales were probably made at New York and Chicago during the period specified. This estimate allows for no intermediate sales and purchases, which at the lowest estimate are likely to treble the grand total, thus accounting for at least three-fifths of the probable aggregate of trades in futures at New York, Chicago, and St. Louis in the first half of the current year.

together with those of the growth of heavy interior and seaboard stocks awaiting the first telegraphic demand. The tendency is also to equalize prices the world over, as a casual inspection of grain exchange circulars will attest, and to minimize fluctuations by keeping the markets, and through them the world at large, abreast of developments as to crops, the yield, quality, stocks on hand or in transit, and the course of prices at all important centres.

That in the long run these results inure to the advantage of the consumer, and that like any other improvement in production or distribution the elaborate organization of trade cheapens the product for him, admits of no question. This gain has to be accepted, no doubt, like most others, subject to the risk (probably a diminishing risk) of abuse. But an impartial examination and sober judgment of the facts, I believe, can lead to no other conclusion than that, on the whole, the community, after all, purchases at a cheap rate the advantages resulting to it from the dealings in futures.

ALBERT C. STEVENS.

NOTES AND MEMORANDA.

OUR readers will be glad to hear that there is a project well advanced for publishing in England an economic journal, to be issued quarterly. The new periodical will probably be edited from Cambridge, under the charge of Professor Marshall, and the hearty co-operation of the leading economists of England is promised. Its establishment is not yet assured; but the plan has been mature in the minds of the projectors for some time, and is likely to be carried out in the course of the coming winter. There is a place for such a journal in England, where there is at present no convenient medium for the interchange of thought and the publication of monographs, while there is growing activity and interest in economic subjects. The *Journal of the Statistical Society* alone is in the field, and occupies but a small part of it.

THE *First Report of the British Gold and Silver Commission*, just issued, is characterized by the absence of valuable material either in the testimony or appendices. It is evident that no trustworthy collection of prices in India can be looked for from this source. The evidence is, as in the case of Mr. Palgrave, mainly a commentary on material already in the hands of the public,—chiefly on that given in the *Third Report of the Commission on the Depression of Trade*. Mr. Giffen's testimony is significant for an admission that there are no practical means of telling whether gold has risen or fallen in value. (Q. 858, 868.)

The poverty of results may be due either to a dying interest among the English in the practicability of bimetallism since the sale of silver by Germany to Egypt or to a conviction that the Commission was appointed to satisfy a passing clamor, and was intended more for political than for scientific purposes. It is understood that a succeeding volume will contain answers to inquiries sent to specialists throughout the world.

THE Clarendon Press will shortly publish a collection of letters from Ricardo to Malthus, which will form an interesting and important contribution to the history of economic thought. The letters will be edited by their discoverer, Mr. James Bonar, the able writer of the recent volume on Malthus and his work. There are eighty-eight of them, covering the years from 1810 to 1823. They are private and informal discussions of the subject in which the correspondents were interested, sometimes based on previous oral discussions, sometimes written in answer to letters from Malthus to Ricardo, of which, unfortunately, none have as yet been found.

A great variety of topics is touched in this correspondence, the currency, the foreign exchanges, and the corn laws being more prominent in the earlier letters, while in those of later date the problems of distribution and of value come to the foreground. Much light may be expected from them on the development of Ricardo's thought and on the interpretation which Ricardo himself would have wished to put on certain much disputed points in his theories. Although there is comparatively little about private affairs in the letters, they yet serve to throw light, also, on Ricardo's personality, in regard to which there has been not a little misconception among those writers on the history of economics who are disposed to cut loose entirely from his doctrines.

PROFESSOR H. S. FOXWELL, the editor of the late Professor Jevons's *Investigations in Currency and Finance*, is now editing, and will publish in the course of the winter, part of an unfinished treatise on political economy, on which Jevons was engaged at the time of his death. Hardly more than a fragment of the contemplated work was left in such a state as to admit of publication. But this fragment, which was to have formed the first book of the treatise, contains that part of it which would probably have been most interesting and significant to economists. Jevons began his exposition with a discussion of consumption, and with a description and analysis of the structure of the social body. It is not entirely without precedent to approach the subject from this point of view; yet it is unusual, and points to a mode of presenting

economic principles which is likely to prove beneficial, and to be frequently adopted in the future. In the hands of an acute and original thinker like Jevons, it cannot fail to be suggestive and instructive.

THE legislation of Germany for the compulsory insurance of laborers against accident, of which the details may be learned from the appendix to the present issue, has now been put fully into operation. Some information as to its working is given in the two reports for 1885 and 1886 which the Imperial Insurance Bureau, itself a creature of this legislation, has laid before the Reichstag, and which are published in the Bureau's *Ämtliche Nachrichten* of May 1, 1886, and March 15, 1887, respectively.

The first report, for 1885, gives an account of the preparatory steps by which the Bureau was kept busy during the first year of its activity, the chief of them being the organization of the *Berufsgenossenschaften*, which are the insuring bodies. By the close of September, 1885, the organization of fifty-seven of these associations had been carried so far that the act of 1883 for insurance against accident could go into effect. The second report, for 1886, notes the final steps in the organization of the *Berufsgenossenschaften*, which can hardly be said to have begun to exercise their functions before the beginning of that year. A certain number of associations were moreover added in 1886, so that at its close there existed sixty-two, embracing in round numbers 233,000 establishments and insuring against accident over 3,100,000 workmen. In addition, some 265,000 persons employed in public works have been brought substantially within the scope of the act.

During the last quarter of 1885, 268 accidents, on account of which indemnities were due, occurred, and 18,146 marks were paid in indemnities. During the year 1886, when the act fairly went into operation, a provisional statement gives 10,414 as the number of accidents for which indemnities were paid. Of these accidents, 2,394 had brought about disability lasting from three to six months, 3,636 had caused a partial disability of permanent duration, 1,701 had caused complete and permanent disability, and 2,683 were fatal. The indemnities paid during 1886 amounted to 1,764,704 marks.

No statement of the financial accounts of the *Berufsgenossenschaften* has yet been made, except for the first quarter of their operations, from October 1, 1885, to January 1, 1886. During that quarter, it seems that the running expenses amounted, in round numbers, to 573,000 marks, to which should be added 10,000 marks for certain expenses in investigating accidents, holding courts of arbitration, and the like. In addition, a sum of nearly 400,000 marks was laid out for the expenses of first organization. In the course of the discussions which have arisen in Germany on the operation of the act, it has been alleged that the running expenses of the *Berufsgenossenschaften* are unduly high, and that insurance by them costs more than similar insurance by private insurance companies had cost. On the other hand, in two articles in the official organ of the associations, *Die Berufsgenossenschaft*, of March 25, 1887, the conclusion is reached that insurance under the act is cheaper than private insurance. The reports of the Insurance Bureau as yet fail to give materials for a fair consideration of this point, and it remains to be seen whether the machinery of compulsory insurance is more cumbersome and expensive than is warranted by the results it achieves.

IN A recent address, Sir Bernhard Samuelson expressed the opinion that the trade of the United Kingdom is now carried on "more and more upon a cash basis." The extent to which this opinion prevails has led the *Economist* to make some investigations, showing results which, although not wholly decisive, tend to confirm the general belief, and are by themselves not a little curious.

Passing by a rather marked decline in the London clearings, which may come either from fewer bills or from fewer checks, the receipts of the inland revenue from stamps on bills of exchange and promissory notes show a remarkable decline, as follows:—

Year ending with March, 1883,	£757,918
" " " 1884,	745,101
" " " 1885,	698,950
" " " 1886,	653,354
" " " 1887,	641,399

As a part of this decline at any rate must be caused by the known decline of prices of many commodities and the smaller amounts for which the bills required to move a given quantity of merchandise have to be drawn, the number of stamps sold becomes important. This has also fallen off in the years named, though in a less proportion. The number of stamps for bills and notes is as follows:—

Year ending with March, 1883,	. . . .	8,401,877
" " " 1884,	. . . .	8,456,649
" " " 1885,	. . . .	8,243,997
" " " 1886,	. . . .	8,036,429
" " " 1887,	. . . .	7,930,791

This indicates a falling off of five and one-half per cent. in the number of bills annually created in the course of the last five years.

To the same effect is the result of an examination of the returns of deposits and discounts of forty-six joint-stock banks, which happen to separate in their returns their discounts of bills from loans or advances on collateral. The figures stood at the close of 1882 and of 1886 respectively as follows:—

<i>Deposits.</i>		<i>Discounts.</i>	
1886.	1882.	1886.	1882.
£169,511,724	£157,661,932	£52,892,330	£56,969,152

In the aggregate, these banks have largely increased their business, as the increase of deposits shows; but there has also been a notable falling off in their investments in mercantile paper. In England as in the United States, the mass of credit operations gains largely; but to this gain the regular course of ordinary business does not contribute by the creation of commercial paper in equal proportion. There, as here, such paper is declared to be "scarce."

PROPOSED TARIFF LEGISLATION SINCE 1883.

During the last two congresses, several attempts have been made to secure modification and reduction of the customs duties as they were left by the act of 1883. A recapitulation of the propositions made and of the action thereon is interesting and suggestive, in view of the present condition of the tariff question and its present political relations.

The first session of the Forty-eighth Congress lasted from Monday, December 3, 1883, to Monday, July 7, 1884. The Democrats were in a decided majority in the House, having 198 members, against 126 Republicans and Independents.* The contest over the speakership was sharp, and resulted in the choice of Mr. Carlisle, of Kentucky, who represented the tariff-reduction wing of the Democrats, his principal opponent being Mr. Randall, a Pennsylvania Democrat. Mr. Morrison, of Illinois, was appointed chairman of the Committee of Ways and Means.

On the 4th of February, 1884, Mr. Morrison introduced a tariff bill† in the House of Representatives. It proposed an average reduction of 20 per cent., but with so many exceptions that it was estimated the average reduction on dutiable articles would be about 17 per cent. The rates under the Morrill Act of 1861 were to form the minimum limit. An extensive addition to the free list was proposed, including the following articles: ores of iron, copper, lead, and nickel, coal, lumber, wood, hay, bristles, lime, sponges, indigo, coal tar, and dyewoods. The bill was to take effect July 1, 1884.

Having been read twice, this bill — the "Morrison horizontal," as it was called — was referred to the Committee of Ways and Means, where it was thoroughly discussed and somewhat changed, all the articles being removed from the free list except salt, coal, lumber, and wood. The reductions in the revenue proposed by the bill as reported to the House, Tuesday, March 11, amounted to \$30,000,000. The majority

* These figures were changed later to 201 and 123 respectively by the unseating of 3 Republicans. There was one vacancy.

† H. R. 4416.

of the committee reporting the bill was strictly Democratic, the two Republican members reporting adversely.

On Friday, March 21, a conference of "free trade" Democratic leaders was held, at which it was decided to call a general party caucus on the following Tuesday, to decide what action should be taken on the bill. At this caucus, which was attended by all but 10 Democratic Representatives, it was voted, 114 to 57: first, that the bill should be considered; second, that it should be passed, if possible; and, third, that the vote of the caucus should not be binding upon an individual member "except so far as he might be influenced by the expressed opinion of a majority of his associates." The result of the caucus was unsatisfactory to the "tariff reformers," as revealing strong opposition to the bill within the party.

On Tuesday, April 15, the motion to go into Committee of the Whole, for the consideration of the tariff bill, was carried without division. Upon the assembling of the committee, Mr. Eaton, a Connecticut Democrat, objected to the consideration of the bill; but the motion to proceed was carried by a vote of 140 to 138, 6 Republicans voting in the affirmative and 49 Democrats in the negative.*

On the following dates, April 15, 16, 22, 23, 24, 28, 29, 30, May 1, 2, 5, and 6, the bill was debated by the House in Committee of the Whole. The principal speeches were made by Messrs. Morrison, Hurd, Hewitt, Blackburn, Belmont, Mills, Blount, Vance, and Clay in favor, and Messrs. Kelley, Randall, Russell, McKinley, Hiscock, Dingley, Eaton, Findlay, and Kasson in opposition. The debate being closed Tuesday, May 6, the Committee, on motion of Mr. Converse, an Ohio Democrat, voted, 156 to 151, to strike out the enacting clause. Immediately after, the House concurred in this action by a vote of 159 to 155, 10 not voting. The majority included 118 Republicans† and 41 Democrats; the minority, 4 Republicans and 151 Democrats. Of the 41 Democrats who voted to kill the bill, 12 were from Pennsylvania, 10 from Ohio, 6 from New York, 4 from California, 3 from New Jersey,

*This is the latest vote in the House favorable to the consideration of a general tariff bill.

†Independents included.

and 1 from Illinois, Connecticut, Virginia, West Virginia, Maryland, and Louisiana respectively. The 4 Republicans* voting for the bill were all from Minnesota.

The "Morrison horizontal bill" having been thus killed, Mr. Hewitt, a New York Democrat and a member of the Ways and Means Committee, on May 12 introduced a new tariff bill, † providing for a reduction of 10 to 20 per cent. on a considerable number of articles and placing several others on the free list. This bill was much less objectionable from the point of view of the protectionist than the Morrison bill, and, moreover, was intended to meet the charge brought against the latter of not discriminating. The Hewitt bill was referred to the Committee of Ways and Means, which, by a strict party vote, reported it favorably to the House, June 24. The adjournment of Congress shortly after, on July 7, prevented further consideration of the bill.

At the same session of Congress, three attempts at special tariff legislation are worthy of notice: (1) the Converse ‡ wool bill, to restore the duties of 1867 on raw wool, which was defeated Monday, April 7, by a vote of 126 to 119, 80 Republicans and 39 Democrats voting in favor of the restoration and 12 Republicans and 114 Democrats against it; (2) the amendment by Mr. Cox § to the shipping bill, for the free importation of iron and steel steamships to be employed in the foreign trade, which passed the House, but was defeated in the Senate; (3) Mr. Hurd's || bill, reducing the duty on works of art from 20 to 10 per cent., which was defeated by a vote of 179 to 52, most of the Southern and Western "free traders" voting against the bill because it was not of a general nature and applied to luxuries.

During the short session of the Forty-eighth Congress, which lasted from December 1, 1884, to March 4, 1885, one matter is deserving of notice; namely, the introduction of a bill in the Senate, January 5, 1885, by Senator Beck ¶ of Kentucky, providing for the appointment of a general Revenue Commission, consisting of Senators, Representatives, and the

* Messrs. Nelson, Strait, Wakefield, and White.

† H. R. 6970.

‡ Ohio Democrat.

§ New York Democrat.

|| Ohio Democrat.

¶ Democrat.

Secretary of the Treasury, for the purpose of finding out what changes in the tariff were desirable. The bill was referred to the Finance Committee, where it appears to have ended its career.

In the Forty-ninth Congress, which met for its first session Monday, December 7, 1885, the House consisted of 184 Democrats and 140 Republicans, the Democratic majority of the preceding Congress having decreased nearly one-half.* Mr. Carlisle was again elected Speaker, and Mr. Morrison was re-appointed at the head of the Ways and Means Committee. President Cleveland, in his message to Congress, called attention forcibly to the surplus revenue and the desirability of reducing the taxes on the necessities of life. Secretary Manning also, in his report, urged a radical revision of the tariff, advising a removal of the duties on many raw materials, and calling special attention to such duties as had been levied originally to offset internal taxes which have been removed since.

On Monday, February 15, 1886, Mr. Morrison introduced a bill,† which was read and referred to the Committee on Ways and Means. It was expected to reduce the revenue by about \$20,000,000,—one-half of this on sugar, one-fourth on articles placed on the free list, and the other fourth on articles reduced. The proposed free list included hemp, jute, coal, salt, iron, lead, and copper ores, corn, chiccory, oats, hay, potatoes, wood, and lumber. It was proposed to make a reduction on coarse cottons from 40 to 35 per cent. *ad valorem*, on pig iron from \$6.72 to \$5.60 per ton, on steel rails from \$17 to \$12.50 per ton, on window glass about 20 per cent. The bill was less extreme than the "Horizontal bill" of 1884. The average reduction proposed, moreover, was considerably less than the 20 to 25 per cent. recommended by the Tariff Commission of 1882. The main object of the bill appeared to be the relief of the manufacturing industries. Its author declared that he intended in the bill to give the Democrats an opportunity to stand by the tariff plank in their platform of 1884.

On Tuesday, March 23, the Committee of Ways and Means voted to allow hearings on the effect of the bill till March 12.

* There was one vacancy.

† H. R. 5376.

The supporters of the measure held that this was unnecessary, as sufficient testimony had already been taken in the hearings before the Tariff Commission and in the discussion over the "Horizontal bill." During the discussion in the committee, it was found desirable to make radical changes in the bill as introduced by Mr. Morrison, inasmuch as it was clearly seen that the opposition from the metal and coal interests was sufficiently strong to destroy all chance of consideration in the House. Accordingly, it was found preferable to make the duties on wool and woollens the special point for assault. In accordance with this change of base, Mr. Morrison, supported by seven of his associates,—namely, Messrs. Mills, Hewitt, McMillin, Harris, C. R. Breckinridge, Maybury, and W. C. P. Breckinridge,—and opposed by five,—namely, Messrs. Kelley, Hiscock, Brown, Reed, and McKinley,—on April 12 reported a substitute bill,* which, by vote of the House, was referred to the Committee of the Whole.

In the new Morrison bill, the free list included only lumber, wood, fish, salt, flax, hemp, jute, and wool. The tax on sugar was reduced but 10 per cent.; the duties on woollens were lowered to 35 per cent. *ad valorem*.† It was estimated that the bill would cut down the revenue about \$25,000,000, distributed as follows:—

Free list (lumber, salt, wool, etc.),	\$7,097,000
Cottons (reduced),	369,000
Hemp, flax, and jute (reduced),	931,000
Woollens (reduced),	11,565,000
Sugar (reduced),	5,088,000
Total,	<u>\$25,050,000</u>

The supporters of the bill held that the proposed reduction in the revenue was moderate, inasmuch as the net surplus for 1885 had been \$30,000,000.

Nothing was done with this bill until Thursday, June 17, when Mr. Morrison moved that the House go into Committee of the Whole for the consideration of revenue bills. The ayes and nays were called; and the motion was defeated, 140 to 157, 27 not voting. The minority was composed of 4 Republicans

* H. R. 7632.

† For other reductions proposed, cf. Table V.

and 136 Democrats, and the majority of 122 Republicans and 35 Democrats. Of the 4 Republicans voting to consider, 3* were from Minnesota and 1† from New York. Of the 35 Democrats who voted against consideration, 10 were from New York, 8 from Ohio, 5 from Pennsylvania, 4 from Louisiana, 3 from New Jersey, 2 from Illinois, and 1 from Maryland, Alabama, and California respectively. No further attempt to take up the bill was made in the first session of the Forty-ninth Congress, which closed Wednesday, August 4, 1886.

In the second session, Mr. Morrison, on Saturday, December 18, 1886, again moved the consideration of revenue bills, and was again defeated,—149 to 154, 19 not voting. Of the members failing to vote, 10 are known to have favored consideration and 8 to have been opposed to it, so that, including these, the majority amounted to 3. An analysis of the vote shows that the minority consisted of 6 Republicans (2‡ from Massachusetts and 4§ from Minnesota) and 143 Democrats, and the majority of 128 Republicans and 26 Democrats.¶ Of those Democrats who opposed consideration, 7 were from Ohio, 5 from New York, 5 from Pennsylvania, 4 from Louisiana, 2 from New Jersey, 2 from Illinois, and 1 from Alabama.

The other attempts at general tariff legislation in the Forty-ninth Congress were the Hewitt, Randall, and Hiscock bills. The first of these, which was introduced in the House February 1, 1886, and referred to the Committee of Ways and Means, pertained especially to administrative reforms.¶ Its principal features were embodied in the Morrison bill as finally reported by the committee.

The Randall bill,** introduced June 28, 1886, and referred to the Ways and Means Committee, was intended to present the protectionist method of reducing the revenue. It proposed the removal of all internal taxes on tobacco, cigars, snuff, fruit, brandies, and spirits for use in the arts, and the reduction of some customs duties. It placed lumber, jute butts, and bristles on the free list, and slightly lowered the

* Messrs. Nelson, Strait, and Wakefield. † Mr. James.

‡ Messrs. Stone and Hayden.

§ Messrs. Nelson, Strait, Wakefield, and White.

¶ For vote in detail, cf. Tables I. to IV. ¶ H. R. 5010. ** H. R. 9702.

duties on iron, steel, boards, lead, zinc, bagging, and salt. Mr. Randall estimated that the bill would cause a decrease of \$34,000,000 in the revenue receipts, of which over \$8,000,000 would be tariff reduction. The committee reported the bill adversely July 10, declaring that it would cause no decrease in the customs duties, but an increase of \$5,500,000. Mr. Randall afterwards proposed a substitute for this bill, adding to the free list such articles as beeswax, nuts, and potash.

The Hiscock bill* is of special interest as being most in line with the kind of tariff legislation that we may expect to see favored by the friends of protection for adoption in the Fiftieth Congress. It provided for the removal of the internal taxes on tobacco and methylated spirits, and for a heavy reduction of the duty on sugar, at the same time proposing the payment of a bounty to the American producer of this article. This bill, introduced in the House January 8, 1887, by the present Senator from New York, was referred to the Ways and Means Committee, in which body it was killed.

No special tariff bill of the last session of the Forty-ninth Congress deserves notice, except, possibly, the Dunn Free Ship bill, which was reported favorably to the House by the Committee on Shipping, 7 to 6. The majority consisted of 7 Democrats, and the minority of 5 Republicans and 1 Democrat. The bill was lost in the House.

Between the two votes in the Forty-ninth Congress on the question of considering the Morrison bill, a general election was held, in which the tariff was an important issue. Both the protectionists and the free traders asserted that the advantage was theirs, but an impartial analysis of the figures seems to point to a division of gains and losses. If we compare the vote in December with that in the preceding June, we find that those favoring tariff reduction gained 2 in the Middle Atlantic States, 2 in the New England, and 8 in the Western, and lost 3 in the Southern; while their opponents lost 2 in the New England States, 3 in the Middle Atlantic, and 1 in the Pacific, and gained two in the Southern. In the Pacific States, those favoring a reduction had no votes in either June or December.†

O. H. PERRY.

* H. R. 10415.

† Cf. Tables I. to IV. for other suggestive comparisons.

TABLE I.
VOTE BY PARTIES ON THE MORRISON BILLS OF 1884 AND 1886.

	1884.				June, 1886.				December, 1886.			
	Yes.	No.	Not Voting.	Totals.	Yes.	No.	Not Voting.	Totals.	Yes.	No.	Not Voting.	Totals.
Republicans,	4	118	4	126	4	122	13	139	6	128	6	140
Democrats,	161	41	6	198	136	35	14	185	143	26	13	182
Totals,	155	159	10	324	140	157	27	324	149	154	19	322

In each case, "yes" means in favor of reduction of duties, and "no" means opposed to it.

TABLE II.
REPUBLICAN VOTES FOR REDUCTION OF DUTIES.

State.	1884.	June, 1886.	December, 1886.
Massachusetts . . .	None.	None.	2
New York	"	1	None.
Minnesota	4	3	4
Totals,	4	4	6

TABLE III.
DEMOCRATIC VOTES AGAINST REDUCTION OF DUTIES (1) BY STATES
AND (2) BY SECTIONS.

States.	1884.	June, 1886.	December, 1886.
Connecticut,	1	None.	None.
New York,	6	10	5
New Jersey,	3	3	2
Pennsylvania,	12	5	5
Maryland,	1	1	None.
West Virginia,	1	None.	"
Virginia,	1	"	"
Alabama,	None.	1	1
Louisiana,	1	4	4
Ohio,	10	8	7
Illinois,	1	2	2
California,	4	1	None.
Totals,	41	35	26

(2)

Sections.	1884.	June, 1886.	December, 1886.
New England,	1	None.	None.
Middle Atlantic,	23	19	12
Southern,	2	5	5
Western,	11	10	9
Pacific,	4	1	0
Totals,	41	35	26

TABLE IV.

ENTIRE VOTE BOTH BY STATES AND BY SECTIONS IN THE HOUSE
OF REPRESENTATIVES, IN 1884, JUNE, 1886,
AND DECEMBER, 1886.

States.	No. of Rep's.	1884.			June, 1886.			December, 1886.		
		Yes.	No.	Not Voting.	Yes.	No.	Not Voting.	Yes.	No.	Not Voting.
Maine, . . .	4	None.	4	None.	None.	4	None.	None.	4	None.
New Hampshire,	2	"	2	"	"	1	1	"	1	1
Vermont, . .	2	"	2	"	"	2	None.	"	2	None.
Massachusetts,	12	3	9	"	1	10	1	4	7	1
Connecticut, .	4	2	2	"	2	2	None.	1	2	1
Rhode Island, .	2	None.	2	"	None.	1	1	None.	2	None.
New England,	26	5	21	"	3	20	3	5	18	3
New York, . .	34	14	19	1	7	26	1	10	22	None.
New Jersey, .	7	None.	7	None.	None.	7	None.	None.	6	1
Pennsylvania,	28	"	27	1	3	22	3	1	25	2
Delaware, . .	1	1	None.	None.	1	0	None.	1	None.	None.
Maryland, . .	6	3	3	"	4	2	"	5	1	"
West Virginia,	4	2	2	"	3	1	"	3	1	"
Middle Atlantic,	80	20	58	2	18	58	4	20	55	3
Virginia, . .	10	5	5	None.	8	2	None.	7	2	1
North Carolina,	9	6	2	1	6	1	2	7	1	1
South Carolina,	7	6	1	None.	5	1	1	5	1	1
Georgia, . . .	10	9	None.	1	10	None.	None.	9	None.	1
Alabama, . . .	8	8	"	None.	6	1	1	6	1	1
Florida, . . .	2	1	1	"	2	None.	None.	2	None.	None.
Mississippi, .	7	4	1	1	7	"	"	7	"	"
Louisiana, . .	6	4	2	None.	2	4	"	1	4	1
Texas,	11	10	None.	1	11	None.	"	10	None.	1
Arkansas, . .	5	5	"	None.	5	"	"	5	"	None.
Kentucky, . .	11	9	1	1	10	1	"	10	1	"
Tennessee, . .	10	8	2	None.	7	1	2	7	3	"
Southern, . .	96	75	15	5	79	11	6	76	13	7
Ohio,	21	3	18	None.	3	18	None.	3	16	2
Indiana, . . .	13	8	4	1	9	4	"	9	3	1
Illinois, . . .	20	7	12	1	7	11	2	8	12	None.
Michigan, . .	11	6	5	None.	6	4	1	7	4	"
Wisconsin, . .	9	6	3	"	1	3	4	2	6	"
Minnesota, . .	5	4	1	"	3	1	1	4	1	"
Iowa,	11	4	7	"	1	7	3	4	7	"
Missouri, . .	14	14	None.	"	10	2	2	11	1	2
Kansas, . . .	7	None.	7	"	None.	6	1	None.	7	None.
Nebraska, . .	3	"	2	1	"	3	None.	"	3	"
Colorado, . .	1	"	1	None.	"	1	"	"	1	"
Western, . . .	115	82	60	3	40	60	14	48	61	5
California, . .	6	2	4	None.	None.	6	None.	None.	5	1
Oregon, . . .	1	None.	1	"	"	1	"	"	1	None.
Nevada, . . .	1	1	None.	"	"	1	"	"	1	"
Pacific, . . .	8	3	5	"	"	8	"	"	7	1
Totals, . . .	825	155	159	10	140	157	27	149	154	19

TABLE V.
CERTAIN CHANGES PROPOSED BY THE MORRISON AND RANDALL
BILLS OF 1886, TOGETHER WITH PRESENT RATES.

Articles.	Present Rates.	Morrison Bill, 1886.*	Randall Bill, 1886.†
Cottons, coarse	2½c. per yard.	2c. per yd.	2½c. per yd.
" fine	6c. " "	5c. " "	6c. " "
Cotton Thread	7c. " dozen.	6c. " dozen.	7c. " dozen.
Flax	\$20 to \$40 per ton.	Free.	\$20 to \$40 per ton.
Hemp	" " " "	"	\$25 per ton.
Jute	\$15 per ton.	"	Free.
Bagging	40%.	30%.	35%.
Cordage	2½ to 3½c. per lb.	1½ to 2½c. per lb.	2½c. per lb.
Oil-cloth	40%.	30%.	30%.
Wool	10c. per lb.	Free.	10c. per lb.‡
Woolen Cloth	35c. per yd. + 35 to 40%.	35%.	30 to 35c. per yd. + 35 to 40%.
Flannels	10 to 24c. per yd. + 35%.	"	10 to 24c. per yd. + 35%.
Carpets	25 to 45c. per yd. + 30%.	"	25 to 45c. per yd. + 30%.
Sugar	1½ to 3½c. per lb.	10% reduction.	1½ to 3½c. per lb.
Salt, in bulk	8c. per cwt.	Free.	4c. per cwt.
Salt, in packages	12c. " "	"	10c. " "
Fish	1c. per lb.	"	½ to 1c. per lb.
Lumber	20%.	"	Free.

* As reported from Ways and Means Committee.

† Mr. Randall's substitute for H. R. 9702.

‡ Duty in reality increased, owing to the provision in regard to dirt in the wool.

TABLE VI.

FREE LISTS.

Morrison Bill, 1884.*	Morrison Bill, 1886.*	Randall Bill, 1886.†
Lumber	Lumber	Lumber
Salt	Salt	
	Jute	Jute
Coal		
	Wool	
	Fish	
	Hemp	
	Flax	
		Bristles
		Beeswax
		Potash

* As reported from Ways and Means Committee.

† Substitute for H. R. 9702.

THE MONETARY SYSTEM OF HOLLAND.

[The following paper, by Professor H. B. Greven, of Leyden, was read before the economic section of the British Association at Manchester, September 7, 1887. It is to appear in connection with the forthcoming report, which Mr. Edward Atkinson has been commissioned to make for the State Department, on the present state of bimetallism in Europe; and it is to Mr. Atkinson's courtesy that the opportunity of presenting the report here is due.

The paper will be found to be a valuable chapter in the monetary history of our time, and records an important example of the maintenance of silver at par with gold, by the familiar expedient of a limitation of quantity effected by the suspension of silver coinage.]

Our monetary history since 1873 presents some very interesting features. Until that date, we had the single silver standard. Owing to the changes in Germany and the countries in the north of Europe, which had passed over to the single gold standard, the coinage of silver was suspended in the spring of 1873; and since that time we have been in a very curious position for two years. Silver could be no longer brought to the mint; and gold coin could not be issued, because Parliament could not agree on the weight to be given to the gold piece, and rejected all proposals for introducing a gold standard. We possessed a fixed quantity of silver coins, and their value was regulated neither by the variations of gold in the market nor by those of silver. In fact, the value of our florin was quite independent of any metal, and depended only on supply and demand. Now, the demand for coin was increasing in the years 1873 to 1875; and the result was that, while silver as a *metal* was going down in the market, our silver *coins* were appreciated as against gold. The rate of exchange on London, which oscillates now on the gold basis between 12.1 and 12.3 florins for a pound, shrank to 11.12 florins. We could not possibly remain in that unnatural position; and so in 1875 a gold piece was issued, coined at the ratio of fifteen and five-eighths parts of silver against one of gold. Since that time, our monetary system can be described, in the words of Mr. Cernuschi, as that of the "*étalon double*

boiteux," — the double standard, but crippled in so far as the coinage of silver is forbidden. The value of the florin solely depends on the variations of gold, but the coins in circulation are most of them tokens. They are legal tender for all payments. A silver florin cannot possibly be of less value than that of one-tenth part of the gold 10-florin piece, but their intrinsic value is fifteen to twenty per cent. less.

Thus the only way of extending the specie circulation is the coining of gold. Some £6,000,000 of gold coin have been issued since 1875, but we were not sure to keep them in the country. Our position, indeed, had considerable dangers. When the balance of international payments required export of specie, the gold coin only could be used for that purpose without loss. Had the bankers sold our silver florins in the London market, they would have lost the difference between the intrinsic value and the mint value.

Now, for some years after the introduction of the gold coinage, all went well. The Netherlands Bank was always willing to pay its bank-notes in gold, when the gold was needed for export; but it was very difficult to get any gold for circulation in the country itself. It was a wise policy, this. The silver specie served its purpose *there* equally well; and, our stock of gold being very small in comparison with the whole of the specie, we ought to keep as much of it as possible ready for foreign demand. (I say equally well, because the silver pieces did not circulate in greater number than the public required, and fully covered bank-notes were used for payments of greater amount.) The danger of this to our monetary situation appeared in the years 1881 and 1882. The balance of trade turned against us, and the stock of gold ran down to some £600,000; while the silver specie, whose value was appreciated artificially, consisted of about £30,000,000, when we bring into account also the silver in the colonies. Unless some remedial measure had been taken, the confidence that payment in Dutch florins was payment in gold would have been lost; and in a short time the gold coins would have sold for more than their nominal value. In other words, there was great danger of an *agio* of gold; and it ought to be prevented at all cost. The question was how to effect that result with

as little cost as possible. Of course, we could have melted down a part of our silver coins, and so diminished the circulation, and brought the rates of exchange below the exportation point. Government was prepared to bear the loss on the operation, but only when it was absolutely necessary. An act was passed in April, 1884, which gave powers to the Chancellor of the Exchequer for authorizing the bank to sell at market prices a quantity of 25,000,000 silver florins, when the state of the currency requires it. Since then, every banker knows that, when he needs gold for export, and the bank cannot pay in gold, it will give him so much silver as will enable him to buy a quantity of gold equal in value to so many gold coins as the notes offered for payment represent. In that manner, confidence was entirely restored. Nobody now has the least doubt that an *agio* of gold has become impossible.

This legislative measure has cost us nothing at all to this day, as rates have all along been favorable to our country; and the bank has been able to secure a stock of gold, amounting in the preceding months to about £5,000,000. Thus, without any cost to the treasury, we have been able to maintain our currency on the gold basis ever since 1875. And I wish to add that we have done it without any serious disturbance in the bank rate. It can no doubt be maintained that the rates have been somewhat higher than they ought to have been, if our currency had consisted only of gold. The directors of the bank cannot consider the silver in their vaults as a basis of the emission of bank-notes in just the same way as they do consider the stock of gold. Perhaps, even at a lower rate of interest, the nominal value in florins of their specie and bullion would have been quite sufficient for their own safety. But, as they wished to pay in gold for export any quantity asked for, this consideration has come in, in their decision concerning the rates. Still, industry and commerce did not complain of this state of affairs. They did not consider it too high a cost for the maintenance of our currency system; and I think you Englishmen will agree with them, when I tell you that the rate of interest on bills, two and one-half per cent., has now been absolutely constant since May, 1885, for a period of more than two years. This compares favorably, it

seems, with the numerous alterations in the rate of the Bank of England.

Now, I propose to add a few words about the monetary relations of our colonies with the mother country,—a subject that will specially interest you, because of the very serious disturbances in your trade with India since the beginning of what is usually called the depreciation of silver, and would in my opinion be more truly called the appreciation of gold. I cannot deny that we met with difficulties also, but they were of quite another character. Your Indian mints have been open for silver all the time. Holland, on the contrary, has adopted the gold standard for the colonies since 1877. *You* have a different standard in Europe and in India: *we* have got the same. Our Indian florin is a *gold* florin. Indian prices are gold prices. Gold does not circulate at all in Java. Indeed, there is scarcely any gold in the colonies; and still all these silver florins have the same buying power as so many pieces of gold, containing each one-tenth of our 10-florin gold piece,—that is to say, their value is about twenty per cent. above the intrinsic value. So great is the power acts of Parliament have on the value of coins, supposed only, that the supply of them is limited. You will understand, from what I just said, that by the unity of the standard in the kingdom in Europe and in our Indian domain we escape all the difficulties arising from great and sudden variations in the rate of exchange, that give you so much trouble. The exchange is always at or about par, just as rates between London and Edinburgh or New York and New Orleans. Our difficulties arise from another cause. Your exports from India have been stimulated: our export trade from Java has been impeded. The producers of coffee, sugar, and other tropical products, sell their goods in the European market for a diminished price; while many of the elements of their cost of production, and the burden on their estates and manufactories, in so far as they are working with borrowed capital, remain the same, or at any rate do not go down so soon as the prices of the produce. Their margin of profits has disappeared in many cases. They have not been able to repay in due time the working capital they had borrowed from the financial compa-

nies, and some of them had to be wound up. But all those difficulties, very real and serious as they are, do result in the last resort from the decrease of prices,—in other words, from the appreciation of gold; and most of the competent men in our colonies are agreed that we ought to bear them rather than to break the unity of currency over the whole of our European and Indian territory.

These are the main features of our monetary history for the last fifteen years. Our situation is far from satisfactory: it is in the highest degree artificial, and we are constantly on the watch for making such changes as will make the intrinsic value of all our legal tender coins to correspond to the mint value. How that will be effected will entirely depend on the course of the international negotiations, now pending for many years, for the adoption of a common standard of value. So long as there is any hope that the great commercial nations will come to an agreement for steadying the ratio of exchange between the precious metals,—whatever that ratio may be,—and for using them both all over the world, there is no reason for changing our present system. But, should the case for silver become hopeless, we should be among the first to exchange our silver for gold at whatever cost, although we would deplore such a change very much, for the manifold evils arising from a further appreciation of gold and for the irregularities and the injustice that would result from it in the distribution of wealth.

CORRESPONDENCE.

THE ECONOMIC MOVEMENT IN ENGLAND.

CAMBRIDGE, September, 1887.

IN England, for the last quarter of a century, the movement of economic thought has been one of steady and continuous evolution. The later stages of this development do not differ in any very marked way from the earlier ones, except that the rate of advance has increased, while its direction has become more obvious and unmistakable. In attempting, therefore, to give some account of these more recent changes in economic opinion, it will be convenient to begin with a brief sketch of the general movement of which they form the latest phase.

Twenty-five or thirty years ago, English political economy had attained its zenith of popularity and authority, though perhaps at no period in its history was such a position less deserved. It was resting on its laurels, showing no signs of growth or fruit, and indeed supposed by its chief expositor to have almost reached finality; but it was secure in public esteem on account of the commercial prosperity which set in with the second half of the century, and which was popularly attributed to the policy inaugurated in 1846, and it easily carried off honors to which the impartial historian will say that it had but a slender claim. It is true that it had in 1844 placed the English currency upon a footing which was at least honest and solvent. But there was conspicuous want of foresight in the fixity, in face of an expanding trade, of the regulations imposed by Peel's Act, as well as a characteristic limitation in its conception of the objects currency regulation should have in view,—two fatal shortcomings, the bitter effects of which have caused this much boasted legislation to be now estimated at a very modest value. And against whatever must on this score be placed to the credit of English economics we have to set its inability to read the signs of the

times, and its opposition to some of the most successful movements of the century. In its spirit, it was strongly materialistic, sacrificing national welfare to the accumulation of individual wealth. Some of its writers carried capitalism so far as to deplore high wages as a calamity comparable in its effects to a bad harvest. Worst of all, it was distinctly unmoral (a more serious defect than immorality, which provokes a reaction), inasmuch as it claimed that economic action was subject to a mechanical system of law, of a positive character, independent of and superior to any laws of the moral world. It is not surprising that all that was best in the literary, artistic, and spiritual worlds rose in revolt and ultimately brought about a contempt for economic teaching, which has unfortunately persisted in many quarters after the just grounds of offence have been removed.

It will be understood that what has been said of the political economy of this time refers to the dominant school, to the writers and thinkers who represented economics as a national and political force. There were never wanting at any time in the century those who had not bowed the knee to the economic Baal; but, with one exception, their voices were powerless or overpowered. The exception, of course, is Mill, the central figure of the transition; susceptible to all the newer influences, but drawn by his over-regard for the authority of a narrow though able clique to adhere to the older forms of expression. Had Mill's education been more scientific and less literary, he might possibly have shaken off these restraints. As it was, he merely put new wine in the old bottles, to the irreparable injury of his logical reputation. His merit is rather political than economical. He rightly seized the importance of the great movement of his time,—namely, the gradual rise of the working class; and he is so absorbed by it that it gives a unity to his great work, and elevates it almost to the dignity of an epic. But, though he thus gave some animation to the dry bones of the old theory, he could not infuse into them any principle of growth. We must look elsewhere for the causes of theoretic advance.

Perhaps the most effective of the influences which gave a new direction to economic study was that exercised by the

rough but inexorable logic of events. When in 1874 the easy flow of prosperity was checked by the demonetization of silver, the glamour cast by this prosperity on the so-called "orthodox" doctrine passed away with it, and the authority of pure commercialism received a severe blow. If we except the question of tariffs, the main tendency of English legislation had for some time involved a reflection,—not of course on any real conclusions of scientific theory, but certainly on the dogmatic maxims which were palmed off as scientific "laws" by the *doctrinaires*. Two great steps have been taken in this century towards the reorganization of industry. One of them is the gradual growth and recognition of the trade societies, built up by a patient persistence, and managed in general with a practical moderation, which entitle those who founded them to the highest rank among the pioneers in the elevation of their class to industrial equality and political consideration. The other is the factory legislation, that lasting monument of the humanity and good sense of the then governing classes. Both these movements were supposed to "violate" economic law. They were condemned by the teaching of the economists, and succeeded in the teeth of their strong opposition. Other legislation proceeding in the same direction has made public provision for education, ordinary and technical, and tends to revive many of the functions of control and guarantee formerly discharged by the guilds. Where there has been reason to suppose that unrestricted bargaining would be to the public hurt, bargains have been regulated. Adulteration Acts, Licensing Acts, Railway Commissions, and last, but not least, the Land Commissions have all qualified rights, which Adam Smith regarded as part of the divine order and the orthodox school held to be the condition of economic prosperity. Private enterprise was dwarfed by the new power of the companies; and Proudhon's paradox, that perfect competition results in monopoly, was seen to be merely a terse expression of undeniable facts. The working classes deliberately revolted against competition, and adopted co-operation, with such success in the limited but important field of distributive industry that their example was quickly followed by others. And on all hands there was

a remarkable revival of the corporate feeling, the most striking instance of which is to be seen in the enlarged powers and heightened energy of the great municipalities. The drift of affairs and its bearing on the old economy could not be mistaken. Everything bore witness to the waning sufficiency of pure individualism and to the gradual development of corporate action and public control. The teaching which was supposed to be summed up in the doctrine of *laissez faire* fell into hopeless discredit. The extent of this discredit may be measured by the fact that the ablest organs of the press, when discussing practical economic questions, will even now often state that such and such is the teaching of political economy, but that this is a case where, in the interests of humanity and common sense, "economic law must be set aside." Misconception could scarcely go further than this or be more fatal to the influence of the economist, but it was not altogether the fault of the public. It was the natural result of the way in which the teaching of the old school contrasted with the exigencies of society and the current of events.

When things are at their worst, they begin to mend. As the power of economic orthodoxy declined, the more progressive influences gained strength. It had been possible to ignore or to suppress men like Sismondi, Cournot, Richard Jones. But Marx, Jevons, and Cliffe Leslie, each quickly created a school. Freed from its cramping fetters, economics fell into line with the other sciences, and shared in the general movement of European thought. In the confusion of the first revolt against authority, it appeared for the moment as if all was antagonism, as if science had been replaced for war of opinion. But it is now clear that the antagonism was mainly due to misunderstanding, and that economic development has really been the result of an advance in three directions, due to three independent, but not opposing agencies. It has been the joint product of theoretic criticism, historical method, and humanistic feeling.

The first corrections which economic theory received in England were rather negative than constructive. They were prompted by the obvious discord between the supposed results of the science and the facts of every-day experience. Thus,

the absurdities of the old wage-fund doctrine, with its corollary of the powerlessness of trades-unions, were exposed by writers like Longe, Sargant, and Cliffe Leslie. Others, among whom Mr. Macleod deserves mention, did much to call attention to the internal contradictions in the received theory. And Cairnes did especially good service in disentangling the science from the dogma which had encrusted it, by clearly distinguishing between political maxims and economic laws. Two publications, both English, though one is also transatlantic, mark epochs in this line of advance. The first serious shock to the old doctrine was given by Mill's concessions to Thornton: the first substantial consolidation of the new appears in the *Wages Question* of General Walker.

But the great advance recently made by theory is not so much due to removal of contradiction, internal or external, suggested by logic or by facts, as to the use of the powerful and essentially scientific instrument of mathematical analysis, practically introduced into English economics by Jevons, in his original and masterly *Theory of Political Economy*. To the influence of this book, and of the teaching of Professor Marshall, who had previously revived and extended the analysis of Cournot, English economics owes a stimulus the full effects of which can scarcely be measured, but which it would be difficult to overrate. It has introduced continuity and precision for the first time into economic reasoning; it has shown how hopelessly the old theory fell below the ordinary scientific standard; it has overhauled the whole system of definitions and assumptions; it has been full of suggestion, both as to unobserved truths and as to the exact limits and best expression of those already observed; it has given organic unity to the science; and, most valuable service of all, it has made it henceforth practically impossible for the educated economist to mistake the limits of theory and practice or to repeat the confusions which brought the study into discredit and almost arrested its growth.

The second of the influences which have determined the recent development of political economy is so conspicuous, so powerful, so emphatically the characteristic influence of the age, that it has somewhat put into the shade the other co-

operating agencies, and has often been wrongly taken to stand for all that distinguishes the new economy from the old. The historic feeling, taking the term in its widest sense, the grasp of the idea of social evolution, with all the consequences which this implies, is certainly an influence of the very first importance in the new movement. Its strength has been derived from three independent lines of study. To the original stimulus resulting from general historical and legal research, as we find it in the works of men like Austin, Sir Henry Maine, and Cliffe Leslie, we must add not merely the influence of biological study, as interpreted in its social analogies by Comte, Spencer, and Darwin, but also the parallel influence of the German metaphysical development, acting on economics partly through the socialistic criticism of Proudhon and Marx, partly by its direct stimulus to constructive work at the universities.

The nature of the change brought about in modern economics by this historical feeling need not here be considered at much length. It has been the subject of endless discussion, and the readers of this journal have had the question most ably and authoritatively laid before them. But, generally, it may be said that, whereas the older school of English economists contented themselves with deducing, more or less loosely, the consequences which would follow on a given set of assumptions,—partly ideal, but supposed in the main to correspond to the facts and institutions of the age, and to be in some sense “natural,” or common to all ages,—the new school take comparatively little interest in the deductions, because they hold that the facts have not yet been carefully observed, that the assumptions have only a remote relation to the facts, that the facts themselves are in process of evolution and change, and that the nature and direction of this social evolution are a far more important object of study than elaborate and complicated deductions, too delicate for practical use, as to the action of economic forces in any particular actual or assumed stage of this evolution. It follows that writers of the historical school are strongly *anti-dogmatist*; that is, they oppose arrogant and universal dogmatism resting upon crude reasoning and a limited basis of observation. For such doc-

trinairism, they would substitute a method of detailed inquiry, treating each important case on its merits. They would replace the speculative word-play of 1820-40 by statistical inquiry and historical research. At the same time, they are not in any necessary antagonism to economists of the mathematical type. If they only knew it, the mathematical economists are their most effective supporters. There is no greater safeguard against the misapplication of theory than the precise expression of it. No writers have been so truly historical in their use of theory as those who, like Cournot and Jevons, have known its exact limits. If there is a real difference between the two groups, it is rather in regard to the relative value they would assign to theory in the solution of practical difficulties. But this difference exists almost as strongly between the individuals in either group as between the groups themselves taken as a whole; and, in any case, it is a difference of degree rather than of antagonism, and should not seriously disturb the harmony of the economic world.

There is a third economic influence, not infrequently confounded with the historical, but which deserves to be clearly distinguished from it, not only on account of its well-marked individuality, but still more on account of its growing and resistless political power. It may be described as the moral and humanistic criticism of our economic life and institutions. It is concerned with ideals, as the pure theorist is with hypothesis and the historian with fact. It is a form of economic thought which has always been powerful in England. One memorable manifestation of it led to the abolition of slavery; another carried through the factory legislation; a third tried in vain to reverse the new poor-law reform; and a fourth, in which Kingsley, Maurice, Mr. Hughes, and the Christian Socialists generally, took part, attempted with partial success to introduce the principle of industrial co-operation. The strength of this school of writers lies in their opposition to materialism and in their healthy estimate of the real objects of existence. Their weakness is that they sometimes allow reason to be overbalanced by emotion, and in such cases sow the seeds of a greater misery in the future from their sensitive desire to relieve the undoubted misery of the present. Their

attitude towards competitive capitalism is, in general, a hostile one. They have doubts as to the sufficiency and invariably beneficent action even of the most perfect competition; they are still less inclined to respect the actual scramble and struggle for existence which passes for competition. They, therefore, even more than the writers of the historical school, are apt to regard themselves as in antagonism to the theoretical economist. But here, too, the antagonism is only partly real, and is mainly the result of a misunderstanding. If the theorist, the historian, and the moralist keep strictly within the bounds of their several inquiries, they will aid and not conflict with each other; and the best proof of this is to be found in the fact that there are economists in most countries, as, for example, General Walker in the United States, Jevons and Professor Marshall in England, whom it would be difficult to refer specially to either school. Indeed, the period under review has been as much marked by the convergence of the three lines of inquiry we have noticed as it has been by their separate appearance and individualization.

After this brief review of the general character of English economic development and analysis of the three main lines on which it has proceeded, we may now consider the progress which has been made in each direction during the last few years. As before, it will be impossible to describe the movement of thought without some reference to the course of affairs. It is true that legislation has affected to advance in independence of economic teaching. But it has not been able to free itself from the influences which have been forming economic opinion; and, if it has sometimes ostentatiously set aside the advice of economists, the results have been such that latterly the disposition to ask for such advice has visibly strengthened. In any case, it is impossible to ignore the mutual interaction of thought and affairs.

To take the intellectual movement first, it has been marked rather by the formation of opinion than by the direct extension of science. No work of the same calibre has appeared since Jevons's *Theory of Political Economy*; but the standard of economic instruction has been raised in a remarkable degree, and the amount of interest and activity in economic

study is greater than at any previous time in our history. Among living writers there is no one who has done so much to bring about this advance as Professor Alfred Marshall. His modest little treatise on the *Economics of Industry*, published at a critical time, was extremely useful in reconstructing the science which had been so rudely assailed. Its theory of value, saturated with the spirit and the best results of mathematical thought, was yet accessible to the mass of readers, who were repelled by the symbolic form of Jevons's work; while, in its handling of practical questions, it showed that a theorist need not be a materialist or a *doctrinaire*, and it gained for economics the forfeited respect of the abler artisans. But Professor Marshall's personal and indirect influence has been even more wide-spread than his book. Half the economic chairs in the United Kingdom are occupied by his pupils, and the share taken by them in general economic instruction in England is even larger than this. Most of these pupils have also passed under the influence of Professor Sidgwick, and have benefited, not merely by the unrivalled critical power of which his *Principles of Political Economy* gives proof, but still more by his teaching as to the essential unity of the Moral Sciences, and his admirable exhibition of the relation of economics to the adjacent moral and political studies. The Cambridge Moral Sciences Tripos, which in its present form is very largely due to Professor Sidgwick's untiring elaboration, is, in a sense, a monument to this side of his economical influence. At Oxford, Mr. Thorold Rogers maintains, almost single-handed, and with world-wide reputation, the historical repute of English economists. He has just added to his well-known works on the history of English Agriculture and Wages a sketch of the first nine years of the Bank of England. In the opinion of many, this able monograph is the most brilliant of his yet published writings. No economist before, except Jevons in his remarkable essay on Cantillon, has shown the same power of making details significant, and of awakening the past until it becomes more living and interesting than the present itself. But work of this sort, valuable as it is, perhaps because of its very permanence, does not color contemporary opinion or found a school. Of recent Oxford men, Arnold

Toynbee went nearest to exerting an influence of this kind, if, indeed, he did not actually achieve it.

It is difficult adequately to describe, to those who have not personally known him, this unique figure among English economists. Sensitive, intensely sympathetic, altruistic almost to asceticism, his intellectual being seemed to rest, like a thin transparent crust, upon a deep suppressed sea of emotion; and at times, when his usually pale, chiselled features were lit up with a flash of insight or an eager, eloquently expressed conviction, he seemed like one inspired, and he certainly inspired in no ordinary degree those with whom he came in contact. It was a character and an influence which does not lend itself to classification. Perhaps Toynbee was least interested in pure theory, most in matters of morality and conduct. But he warmly sympathized with every branch of economic inquiry, and had a particularly firm grasp of the essential principles of the science affecting industrial questions. Nothing, indeed, was more remarkable in him than the unwonted combination, with great vividness and fluency of expression and an enthusiastic, lofty temper, of a clear grasp of theory and infinite patience for detail. It will easily be understood that the influence of such a man, though necessarily cut short and limited by his early and tragic death, was extremely strong within the circle to which it reached. It has been preserved and extended by the formation of Toynbee Hall and the Denison Club, both of them founded to promote that spirit of personal service and direct sympathy with the weaker and less fortunate classes which was so strong in Toynbee himself. Toynbee Hall, designed to bring young men face to face with social problems by planting them in a poor and neglected quarter of London, and to focus attention and train effort which might otherwise be scattered or misdirected, has so far been a powerful factor in English opinion. It has already given rise to a number of imitations, each doing good service in its way; but, in most of these, the philanthropic spirit has clothed itself in distinctive forms, which make it difficult to distinguish the social aim from the ordinary religious propagandism. The more economic tendency of Toynbee's influence is better traceable in the humanized policy of charity organization, in the

new attitude of Oxford to the Co-operative and University Extension movements, and in the tone of the press, which is largely guided by Oxford men.

In the world of business and statistics, no name stands higher than that of Mr. Giffen, the present head of the Statistical Department of the Board of Trade. Mr. Giffen's knowledge of English business and finance is extremely wide, and his grasp of statistical facts is unrivalled. No one finds his way so surely through the snares and intricacies of official returns, and there is no English statist whose results are studied with more interest and respect. As Mr. Giffen's bias does not incline towards rashness or unnecessary change, he is more frequently found moderating than leading in proposals for economic reform. But in another respect his influence has been both marked and progressive. He has perhaps done as much as any living writer to replace speculation by statistics and to introduce the historical method in the treatment of questions of the day, while he has distinctly extended economic theory in the departments of banking and finance.

Space will only permit of a very inadequate notice of what is being done by the numerous other writers dealing with economical studies. Mr. Edgeworth has made, and is still continuing, a very elaborate and able series of papers on statistical methods and other points of abstract theory. Professor Nicholson, besides valuable writings on the land and other questions, has made effective contributions to the theory of money, and to the cause of bimetallism, which is rapidly gaining ground in this country. Mr. P. H. Wicksteed is specially devoting himself to the development of theory on the lines of Jevons's method of final utility. The merits of this method, which are so generally recognized in Holland and Austria, have been more fully appreciated of late in England. Mr. Patrick Geddes continues the biological influence, and has done good service by criticising economic methods and results in the light of the latest biological analogies. Excellent historical work has been done by Mr. Bonar in his volume on Malthus, by Mr. Cunningham in his *Growth of English Industry and Commerce*, by Mr. Stephen Dowell in

his *History of Taxation*, and by Mr. Hubert Hall in his *History of the Customs Revenue*; and much attention has been paid by various writers to the history of banking in general, and especially to the history of banking in Scotland and the part played in it by the £1 note.

It is not, however, by an enumeration of works of this class that we can adequately measure the activity and importance of economic thought in England during recent years. The great bulk of the literature which it has put forth is neither academic, theoretic, nor historic, but is concerned directly with practical questions; and much of it is ephemeral in its form, though not in its effects. The land question in all its manifold aspects has been pressed to the front. The chronic Irish difficulties, the increase of population, the fall of prices, and high farming have all made some modification of the old *régime* imperative. The net result is that, if the present Land Transfer bill becomes law, scarcely a shred of the old feudal tenure will remain. Land will have been completely commercialized; and occupying ownership, though necessarily a luxury in a country where land sells for thirty to forty years' purchase, will probably become rather the rule than the exception. Meanwhile, it is certain that the short-sighted policy pursued in regard to Irish land has sown a strong leaven of socialism throughout the entire kingdom, more especially in Wales and the Highlands of Scotland. The most serious sign of this is probably the tithe agitation in England. It is impossible to ignore the fact that the obligation of contracts, where they relate to land, is sensibly impaired. The new doctrine seems to be that a land contract may be repudiated if, owing to change of circumstances, it is inconvenient to one of the parties. If this limp and plausible principle should obtain increased acceptance, and be extended to the sphere of ordinary business and finance, the results will be somewhat startling.

Next to the land question, the prolonged trade depression has attracted most notice. It is not denied by any one now that there has been a heavy drag on industrial progress ever since 1874, resulting in a greatly lessened rate of increase of capital, profits, and wages, and in a generally severe pressure

on all classes. The agricultural interest has suffered most; but the artisans have borne their share, and the funds of the trade societies have been drained very low; while, as usual, there has been much misery among the weak and shiftless class which lies on the margin of pauperism. The prolonged nature of the depression has powerfully stimulated inquiry. It has led to the appointment of three important commissions, and to other less official investigations. A great and needed impulse has been given to technical education, and the whole question of apprenticeship has been rescued from the neglect it suffered during the reign of *laissez faire*. There has been a wide-spread revival or creation of trade and professional guilds, and great municipal activity in providing artistic and other instruction. The Commission on Trade has led to the result which every economist foresaw. It has found the main cause of the universal depression in the fall of prices, and a Currency Commission is still investigating this latter question. But those who advocated the Commission on Trade are understood to have expected recommendations of a very different sort. The industrial disturbance caused by the constant increase in foreign tariffs has roused very bitter feeling in many parts of the country. The half-ruined farmers and landlords are complaining of the unequal competition with Indian wheat, and probably nothing but the peculiar character of our land system has prevented the imposition of a moderate duty on corn. At any rate, the belief in free trade is somewhat less confident and rigid. The fair-trade agitation of 1849 has been revived with considerable success. List's *National System of Political Economy* was translated into English in 1885; and an active, clever propaganda has been maintained by the Fair Trade League for some years, under the direction of Mr. Eckroyd. Whether this movement, so long as it was confined to purely commercial considerations, would ever have achieved any substantial success, may be doubted. But it is much aided by the remarkable growth of English national feeling. Imperial federation is one of the most influential movements of the day. It is warmly supported by the press, spoken of by both political parties with respect, and taken up with enthusiasm by the younger generation. It is

true that there is an equally strong set of opinion in favor of a certain kind of decentralization, owing to the growth of municipal feeling and the increasing weight of public functions. But the federation principle is rather complementary than antagonistic to reasonable decentralization. However this may be, it is impossible to ignore the strength of the new national feeling. We seem already to be separated by a whole age from the "Perish India" period. And, whether or not nationalism will leave its mark on our tariffs, we cannot doubt that it will influence our legislation and foreign policy.

Nothing better illustrates the difference between the old and new schools of economics than the history of recent English opinion on the currency question. Ten years ago, any one who professed himself a bimetallist would have been scouted as plainly ignorant of elementary principles of political economy. The few remarks devoted by Mill to the currency system of half the commercial nations show that he did not even seize its main idea. In the true spirit of Ricardianism, it was generally held that the normal value of the monetary metals depended solely on their cost of production. The influence of demand was wholly ignored, and consequently a system which was based on an automatic adjustment of demand to the variations of supply was regarded as an attempt to interfere with "natural" prices and to "violate economic law." All this is now altered. It is admitted by all competent persons that the real questions at issue are very narrow and difficult; that they do not concern economic law or the conclusions of theory, but depend upon differing estimates of obscure facts, or of future events, or of the balance of mercantile and general convenience. Instead of being burlesqued as an elementary blunder in theory, bimetallism is now treated as a serious and practicable proposal for dealing with admitted difficulties. But the commission is not likely to adopt heroic measures. English monetary opinion is conservative, and the present course of prices is not unfavorable to the moneyed interest. It is possible some palliatory measures may be recommended; as, for instance, an issue of £1 notes, which, besides offering several direct advantages, would greatly facilitate any further and more radical change.

Passing to recent industrial movements and the state of opinion in reference to them, it may first be observed that there has never been a time at which the artisan classes wielded so much political power as at present. Thanks to their trades-unions and the sensible action of their Parliamentary Committee, there is now a compact body of labor members in the House. The influence of this group is great and increasing, far in excess of that due to its size. One of its members held an under-secretaryship in the last government; another ranks among the most respected men in Parliament. The new Labor Bureau of the Board of Trade, to which Mr. Burnett, the able Secretary of the Amalgamated Engineers, is attached, promises under Mr. Giffen's direction to be of extreme value; and it is one sign of the importance attached by government to working-class interests. In fact, it is hardly too much to say that the influence of the artisans has displaced that of the middle class as the dominant political force. So far as the opinion of this class can be gathered from the written expressions of its leaders, it would seem still to be distinguished by its soberness and practical sense. Most of the proposals advocated are practicable and detailed. They ask for further development on tried and approved lines. This is observable, for instance, in the papers at the Industrial Remuneration Conference in 1885, and in the annual reports of the trades-unions and their Parliamentary Committee. Of late years, a slight shade of Marxism may be detected in some of these documents; but, on the whole, the imported socialism of a certain class of London and semi-foreign labor does not seem to have taken any great hold on the abler and more responsible artisan leaders. They are very far from being revolutionary, and they have nothing to gain from revolution. They desire more direct political representation and more attention on the part of government to industrial questions. They have suffered severely from irregular employment, and some still work under injurious conditions and receive wages forced down by unequal contracts. But they do not aspire towards a semi-military state organization of industry. They desire ultimately to control their own industrial enterprises, or at least to share in their control. Co-operative

production has not yet taken a considerable position in English industry; but it is an ideal towards which progress is being made, and which is never lost sight of. Meanwhile, some steps towards industrial stability are being made by the use of sliding scales, valuable accounts of which have lately been given by Professor Munro and Mr. Price; and there is no reason why the principle of profit-sharing, so ably advocated by Mr. Sedley Taylor, and so successful in France, should not gain greater acceptance here.

It is rather among the middle classes that socialistic theories are most discussed. Mr. H. George's land proposals and the recently translated *Capital* of Karl Marx both found sympathizers in this social stratum. They were well calculated to appeal to the somewhat *dilettante* enthusiasm of those who were educated enough to realize and to be revolted by the painful condition of the poor, but not patient or hard-headed enough to find out the real causes of this misery, nor sufficiently trained to perceive the utter hollowness of the quack remedies so rhetorically and effectively put forward. A number of socialistic periodicals and organizations mark the new tendency of this class. With few exceptions, however, the periodicals are weak; and the organizations, as usually happens, in their rapid propagation by fission, pay an unconscious homage to the principle of individualism. More important than this socialism of culture is the change in the attitude of the Christian Churches. They are, undoubtedly, becoming more democratic and socialistic. The attitude of the Roman Church in Ireland may be regarded as exceptional. But it is not very different from that of the ministers in Wales and the Scottish Highlands. There is also a revival of Christian Socialism in London, as witness the writings of the warden of Toynbee Hall, and the newly founded *Methodist Times*. Much of this influence, though here classed as socialistic because it invokes the corporate action of society and qualifies the rights allowed by individualism, is, of course, non-revolutionary in its method. It is mainly founded on a remarkable development of sympathy with the poorer classes, due to a keener moral sense, and to wider publicity and larger franchises, through which these classes are now better known.

The development of art, too, has not been without its effect in recalling men from commercialism to consider the simple, eternal ends of life and the ideal conditions of healthy existence. Mr. Ruskin, in particular, has been a great economic force, as readers of his writings will not require to be told; and Mr. William Morris is another example of the socialistic leaning of the artistic temperament. Upon the whole, public opinion is becoming increasingly sensitive to social suffering and to social needs. The new aspirations find expression in such work as that of charity organization, improving the dwellings of the poor, providing accessible recreation, and bringing the best instruction to the doors of the masses of the people. All this cannot fail to increase our knowledge of the causes of misery, at the same time that it calls out and reinforces the motive power necessary to deal with them. Tending, as it does, to stimulate the economic imagination and to incite to patient research, the apparent reaction against economic teaching will prove, in the long run, to have greatly aided its reconstruction and widely extended its influence.

Nothing, indeed, can well be more promising than the present outlook for economic science in this country. In spite of a little superficial and formal difference between its expositors, they are in substantial agreement as to the method and treatment of the study. Different relative values may be assigned by different economists to theory, history, and statistics; and there is a certain difference as to social ideals and as to the best means of realizing them. But, when we come to specific results and to actual researches, the disagreement is really less than in most other studies. If the present writer, after an exceptionally large experience in examining, may venture to single out the writers who seem to have most influenced serious students in this country, he would be inclined to name General Walker, Professor Marshall, Jevons, Dr. Sidgwick, Cliffe Leslie, Mr. Ruskin, and the German socialists. And nothing is clearer than that, whatever apparent discordance there may be between the various members of this group, the new school of economy can and does assimilate the best part of the teaching of them all, without any sense of inconsistency or contradiction. The position of this school in England is

not very different from that maintained by Professor Wagner in Germany or that laid down by the editor of this journal in his introductory article. To the present writer, it seems, however, that Professor Dunbar in describing the new school characterizes it by its extreme wing rather than by its centre, and consequently hardly does justice to the importance of the change of attitude. He regards the movement as a conflict between the supporters of the deductive and inductive methods. No doubt, this has been stated in so many words by some of the new school; but it does not represent their practice and their real meaning. Mr. Thorold Rogers, for instance, thus states his own view in the preface to his new book: "Speculative political economy has been a most dangerous guide; nothing but inductive economy is to be trusted as an interpreter of facts. We are as yet in the infancy of that phase of the science." But it is clear that Mr. Rogers has no quarrel with the deductive method. He uses it freely and often with signal success in this very work. It is speculative and not theoretical economy which is to be condemned: Induction is a necessary part of this theoretical economy, and no doubt theoretical economy of a really scientific kind largely remains to be written. Of pure theory proper, Jevons is almost the only English representative. There is no quarrel with such theory, nor with its inductive basis.

What the new school protest against is: first, the unscientific and meagre way in which deduction was used; secondly, the unwarrantable dogmatism with which this loose "deduction" was applied to practice; thirdly, the exaggerated estimate of the importance of theory, even when applied with the greatest care. In their view, though it is worth while to study, and therefore worth while to study accurately, the workings of private interest under a system of competition, yet human nature is not all self-interest, real or fancied, nor is the social structure wholly competitive. They have quite done with the old notion, that a positive science of economics can be constructed, which even in the industrial sphere can be independent of morality and justice, purely rigid and mechanical in its principles. Every one can see that *laissez faire*, formerly a foregone conclusion, is now scarcely even a presump-

tion. But this is only half the change. It is the mechanical, unmoral economics, even more than the policy of *laissez faire*, which the new school has banished to Saturn. The state, said M. Thiers, in a famous and memorable passage, must act as an honorable man would act. The new school hold, what is quite as important, that a man must act as honorably in his industrial capacity as he would in his private relations. They will not allow him, by pleading "the state of the market," to excuse himself from the ordinary obligations of humanity. With the old school, the worst scandals were calmly referred to "demand and supply," as though such a reference were final. With the new school, if the conditions of the market are such as to lead to injustice or to swell the mass of social wreckage, these conditions must be overhauled, and as far as may be rectified. It is their decided conviction that, if competition is to remain the basis of economic relations, society must see that it is so held in check that it shall not violate the older and deeper principles of justice and humanity.

Such a change of view is surely of the highest significance; and, as it has been gradually realized by the English public, the effects have been most marked. The philanthropic feeling, the artistic aspirations, the moral enthusiasm, which a generation ago concentrated themselves in an attack on materialistic economy, now gladly co-operate with economists, and seek their advice. There is a general awakening of interest in the study. Social and economic unions are springing up in all parts, particularly in the university towns. In Oxford and Cambridge, the University Extension movement, originated by Professor Stuart, is largely based upon economic and social interest, and in its turn has greatly contributed to give a practical tone to the younger economists, and to put them in sympathy with the industrial classes. In Scotland, the economic revival is equally patent. Edinburgh has its Social Union, Glasgow and other towns their economic societies; and the University Extension movement is already set on foot north of the Tweed.

With us as with you, the desire is everywhere felt for an organization which shall unite and concentrate these new and growing interests. The Statistical Society, which celebrated

its jubilee in 1884, is larger and more useful than ever; but it prefers to confine itself mainly to work of the numerical or descriptive order. It is proposed to form an economic society which would be wider in its purposes. It would aim at the advancement of theory, at the consolidation of economic opinion, at the encouragement of historical research, and at the criticism and direction of industrial and financial policy. In time, no doubt, it would acquire a valuable library and furnish students with the necessary bibliographical aids. It might also publish a journal, undertake a series of reprints and translations, and compile a dictionary. All this is at present in the clouds. But it is scarcely doubtful that we shall shortly follow the lead so ably set us on your side of the Atlantic. Meanwhile, we heartily wish success to your association, and tender our appreciative thanks for your most admirable and welcome journal.

H. S. FOXWELL.

RECENT PUBLICATIONS UPON ECONOMICS.

[Chiefly published or announced since July, 1887.]

I. GENERAL WORKS, THEORY AND ITS HISTORY.

- ATKINSON (E.). *The Margin of Profits*. New York: G. P. Putnam's Sons. pp. 123. 75 cts.
- BERARDI (D.). *Le Funzioni del Governo nella Economia Sociale*. Firenze: Le Monnier. 8vo. pp. 406. 5 fr.
- DABOS (H.). *Le Dernier Mot sur une Controverse relative à la Notion de Valeur*. Paris: Guillaumin & Cie. 8vo. 74 pp. 1.50 fr.
- GABBA (C. F.). *Intorno ad Alcuni più Generali Problemi della Scienza Sociale*. 3za serie. Bologna. 8vo. pp. 189. 4 fr.
- GINISTRELLI (E.). *Le Leggi dell' Armonia Sociale*. Fasc. I. Napoli. 8vo. pp. 121. 3.50 fr.
- GOBBI (U.). *Compendio di Economia Politica*. Turin: Unione tip. edit. 8vo. pp. 136. 2 fr.
- GRAZIANI (A.). *Sulla Teoria Generale del Profitto*. Milan: Dumolard. 16mo. pp. 223. 3 fr.
- LABORDE (E. J.). *Nueva Economia Politica al alcance de todos*. Tomo I. Madrid. 4to. pp. 392. 8 m.
- LAUGHLIN (J. L.). *The Elements of Political Economy. With Some Applications to Questions of the Day*. New York: Appleton & Co. 12mo. pp. 387. \$1.50.
- ROBLIN (E.). *Causeries sur l'Economie Politique*. Troyes: Lacroix. 8vo. pp. 194. 2 fr.
- SARGANT (W. L.). *Inductive Political Economy*. Vol. I. Birmingham: Cornish. pp. 386. 8vo. 10s. 6d.
- SCHEFFLER (H.). *Die Regelung der Steuer-Einkommen und Geldverhältnisse und das natürliche Wahlrecht*. Berlin: Puttkammer & Mühlbrecht. 8vo. pp. 172. 3 m.
- SMITH (ADAM). *The Wealth of Nations. With an Introduction by E. B. Bax.* [Bohn's Library.] New York: Scribner & Welford. 2 vols. pp. 1054. \$2.80.

In Periodicals.

- AWIN-KAROLY. *Solutions Nouvelles de Deux Questions Fondamentales d'Economie Sociale*. Rev. d'Econ. Pol., Aug.
- COLAJANNI (N.). *Di alcuni Studi Recenti sulla Proprietà Collettiva*. Giorn. degli Econ., Oct.
- HASBACH (W.). *Ueber eine andere Gestaltung des Studiums der Wirthschafts-Wissenschaften* [with a note by G. Schmoller]. Jahrb. f. Gesetzg., 11, Heft 2.
- JOURDAN (A.). *L'Economie Politique et le Droit*. Rev. d'Econ. Pol., Aug.
- MIRAGLIA (L.). *I Presupposti dell' Economia Politica*. Giorn. degli Econ., Aug.

II. ECONOMIC HISTORY AND DESCRIPTION.

- ALBERTI (G.). *Le Corporazioni d' Arti e Mestieri e la Libertà del Commercio Interno negli Antichi Economisti Italiani*. Milan: Hoepli. 8vo. pp. 458. 6 fr.
- BONWICK (J.). *The Romance of the Wool Trade*. London: Griffith. pp. 472. 8vo. 7s. 6d.
- GARIN (J.). *Die Anarchisten. Eine Historisch-kritischen Studie. Autoris. Uebertragung*. Leipzig: Wigand. 8vo. pp. 246. 3 m.

- HAUSER (E.). Die Entwicklung der Viehzucht in Preussen von 1816 bis 1883. [From the Abhandlungen of Conrad's Staatswissenschaftl. Seminar.] Jena: Fischer. 8vo. pp. 295. 6 m.
- WORMS (E.). De la Liberté d'Association au point de vue du Droit à travers les Ages. Paris: Lib. Dentu. 8vo. pp. 397.
- In Periodicals.*
- BOOTH (C.). The Inhabitants of Tower Hamlets: their Condition and Occupations. *Journ. of Stat. Soc.*, June.
- BROWN (W. A.). State Control of Industry in the Fourth Century. *Pol. Sci. Quarterly*, Sept.
- CLERKE (E. M.). The Age of Steel. *Dubl. Rev.*, July.
- GOSSEAU (W.). Florentiner Bankiers (1100-1400). *Viertelj. f. Volksw.*, 24, Band 3, 2.
- LEROY-BEAULIEU (P.). La Situation Réelle de l'Entreprise de Panama. *Écon. Français*, July 16, 23.
- LEVI (L.). The Material Progress of Ireland. *Fortnightly*, Aug.
- McMURRY. Geschichte der Knights of Labor und ihr South-western Strike of 1886 (condensed from *Quarterly Journ. of Economics* for Jan., 1887). *Jahrb. f. Nat. Oek.*, 15, Heft 1.
- TIKHOMIROV (L.). L'Évolution de la Commune Agraire en Russie. *Journ. des Écon.*, June.
- WELLS (D. A.). The Economic Disturbances since 1873. *Pop. Sci. Monthly*, July-Oct. [also in *Contemp.*].

III. POPULATION, EMIGRATION, AND COLONIES.

- BERTHOLD (G.). Die Entwicklung der Deutschen Arbeiterkolonien. [Schriften des Deutsch. Ver. f. Armenpflege, Heft 3.] Leipzig: Duncker & Humblot. 8vo. pp. 63; Tabellen, pp. 98. 3.60 m.
- STENGEL (C. von). Deutsches Kolonialstaatsrecht [with references to that of other countries]. *Annal. des Deutsch. Reichs*, No. 5.
- In Periodicals.*
- ENGELBRECHT (H.). Verbreitung und Beschäftigung der Einwanderer in den Vereinigten Staaten [especially Germans]. *Zeitschr. des Preuss. Stat. Bur.*, 27, Heft 1, 2.
- REICHSKOMMISSARER für das Auswanderungswesen, Bericht (for 1886). *Annal. des Deutsch. Reichs*, No. 5.
- SCHAEFFLE (A. E. F.). Kolonialpolitische Studien. III. Artikel. *Zeitschr. f. Ges. Staatsw.*, 43, Heft 2 and 3.

IV. PRODUCTION, MANUFACTURES, AGRICULTURE.

- BURNLEY (J.). The History of Wool and Wool Combing. London: Sampson Low, Marston & Co. [Announced.]
- In Periodicals.*
- FONTPERTUIS (AD. F. de). La Petite Culture et les Paysans Propriétaires en France. *Journ. des Écon.*, July.

V. EXCHANGE AND TRANSPORTATION.

- NOEL (O.). Les Chemins de Fer en France et à l'Étranger. Étude Financière et Statistique. Paris: Berger-Levrault. 5 fr.
- SCHREIBER (J. F.). Die Eisenbahnen als öffentliche Verkehrseinrichtungen und ihre Tarifpolitik. Wien: Hartleben. 8vo. pp. 264. 4 m.
- SEGUIN (ainé). De l'Influence des Chemins de Fer et de l'Art de les tracer et de les conduire. [Reprint of edition of 1839.] Lyons. 8vo. pp. 362.
- In Periodicals.*
- GOMEL (C.). La Crise des Transports et les Économies des Compagnies de Chemins de Fer. *Écon. Français*, July 9.
- HUBBARD (G. G.). The Transcon-

- tinental Railroads. Science, Sept. 16.
- MICHEL (G.). Des Différentes Concurrences faites aux Chemins de Fer. Écon. Français, Aug. 27.
- Des Taxes de Transports [on French railways and others]. *Ibid.*, Sept. 3.
- SELIGMAN (E. R. A.). The Interstate Commerce Law [second part]. Pol. Sci. Quarterly, Sept.
- UNSIGNED. Die Preussischen Eisenbahnen in den Jahren 1883, 1884, und 1885 [with references to other German and Austrian railways]. Zeitschr. des Preuss. Stat. Bur., 1886, Heft 3, 4.
- WELCH (J. C.). The Interstate Railway Solvent. North Am. Rev., July.

VI. INTERNATIONAL TRADE AND CUSTOMS TARIFFS.

- EXNER (A. H.). Die Einnahmequellen und der Credit Chinas, nebst Aphorismen über die Deutsch-ostasiatischen Handelsbeziehungen. Berlin: Asher & Co. Svo. pp. 71. 2 m.
- MEDLEY (G. W.). Fair Trade Unmasked. [Notes on the Minority Report of the Trade Depression Commission. Cobden Club Publication.] London and New York: Cassell & Co. pp. 95. 6d.
- MURRAY (K. B.). Commercial Geography, considered in its relation to New Markets and Fields of Production for British Trade. London: T. C. Jack. Svo. pp. 206. 2s. 6d.
- In Periodicals.*
- FRANCKE (L.). Acht Jahre Deutschen Getreidehandels von 1878 bis 1885. Zeitschr. des Preuss. Stat. Bur., 1886, Heft 3, 4.
- UNSIGNED. Das Merinoschaf und der Wollzoll. III., IV. Viertelj. f. Volksw., 24, Band III., 1, 2.

VII. FINANCE.

- JONES (W. H.). Federal Taxes and State Expenses; or, The Decay of Separate State Power of Excise under the Federal Constitution. New York: G. P. Putnam's Sons. pp. 135. \$1.00.
- KEARNEY (J. W.). A Study of American Finance, 1789-1835. New York: Putnam's. [Announced.]
- MAGUÉRO (E.). La Dime Nationale, ou Réforme des Impôts directs et indirects sur les Capitaux et les Revenus. Paris: Lib. Rousseau. 18 j. pp. 322.
- REYNAUD (L.). L'Année Financière (5e année). Histoire des Événements Financiers de 1886. Paris: Chevalier-Marescq. 18mo. pp. 271. 3.50 fr.
- SAINT JULIEN (A. de) et BIENAYMÉ (G.). Histoire des Droits d'Entrée et d'Octroi à Paris. Paris: Dupont. Svo. pp. 152.
- TANQUERREY (H.). Traité Théorique et Pratique de l'Impôt sur le Revenu des Valeurs Mobilières. Paris: Lib. Rousseau. Svo. pp. 309. 7 fr.
- In Periodicals.*
- BERTOLINI (A.). L'Imposta Progressiva e il Cantone di Vaud. Giorn. degli Econ., Oct.
- BROCH (O. J.). Les Excitants Modernes [their financial importance]. Journ. de la Soc. de Stat. de Paris, June, July.
- CONRAD (J.). Die Branntweinsteuerreform in Deutschland. Jahrb. f. Nat. Oek., 15, Heft 1.
- ELLIOTT (T. H.). The Annual Taxes on Property and Income. Journ. of Stat. Soc., June.
- KAUFMANN (R.). Finanzstatistisches zu den Schulden der Europäischen Grossmächte. Jahrb. f. Nat. Oek., 15, Heft 2, 3.
- KINDERVATER (Dr.). Die Reform der Bierbesteuerung im Deutschen Reiche. Finanz-Archiv, 1887, Band II.
- LEROY-BEAULIEU (P.). La Situation Financière [of France]. L'Econ. Français, Sept. 24, Oct. 1.

- MAYER (T.). Ein Beitrag zur Kataster und Grundbuchfrage in Elsass-Lothringen. *Annal. des Deutsch. Reichs*, No. 8.
- MISCHLER (E.). Ueber die Subjekte der Finanzwirtschaft. *Finanz-Archiv*, 1887, Band II.
- PANTALEONI (M.). Osservazioni sulla Finanza Italiana. *Giorn. degli Econ.*, Oct.
- RICCA-SALERNO (G.). Nuove Dottrine Sistematiche nella Scienza delle Finanze. *Giorn. degli Econ.*, Aug.
- STOURM (R.). Bibliographie des Finances du XVIII^e Siècle. [Second Article.] *Ann. de l'Éc. des Sci. Pol.*, July.
- UNSIGNED. Die Reform der Branntweinsteuer. [With text of law of June 3, 1887.] *Annal. des Deutsch. Reichs*, No. 9.

VIII. MONEY, BANKS, AND CREDIT.

- ANONYMOUS. Der Wucher auf dem Lande. [From the Verein für Sozial Politik.] Leipzig: Duncker & Humblot. 8vo. pp. 366. 7.60 m.
- CHIRAC (A.). L'Agiotage de 1870 à 1886. Première Partie: Période de 1870 à 1881. Paris: Bur. de la Revue Socialiste. 8vo. pp. 120. 1.50 fr.
- CUSUMANO (V.). Storia dei Banchi della Sicilia: i Banchi Privati. Rome: E. Loescher. 8vo. pp. 315. 5 fr.
- HESEN (R.). Das Goldmonopol der Börse. Berlin: Waltherr & Apolant. 8vo. pp. 43. 1 m.
- HORTON (S. D.). The Silver Pound and England's Monetary Policy since the Restoration. London and New York: Macmillan & Co. 8vo. pp. 324. \$4.00.
- SMITH (S.). The Bimetallic Question. London: E. Wilson. 8vo. pp. 146. 2s. 6d.
- VILLARD (A.). Les Banques Populaires et le Crédit Agricole. Paris: Guillaumin. 1.50 fr.
- Mondes, July 15. II. Au dehors de l'Union Latine. Aug. 1.
- HARDWICKE (W. W.). The Decimalizing of the Coinage. Longmans, Sept.
- DU BLED (V.). Les Syndicats Professionnels et Agricoles. Le Crédit Agricole. *Rev. des Deux Mondes*, Sept. 1.
- GAERTNER (F. W.). Ueber die wirtschaftliche Natur des Geldes mit besonderer Berücksichtigung der verschiedenen Werthbegriffen. *Zeitschr. f. Ges. Staatsw.*, 43, Heft 2 and 3.
- MARLBOROUGH (Duke of). The Vampire Gold. Fortnightly, July.
- RAUCHBERG (H.). Die Neueste Entwicklung des Clearing und Giro-Verkehres. *Statist. Monatschr.*, June.
- REICHSBANK. Verwaltungsbericht der (for 1886). *Annal. des Deutsch. Reichs*, No. 7.
- SCHMOLLER (G.). Die Vorschläge zur Beseitigung oder Einschränkung des ländlichen Hypothekarcredits. *Jahrb. f. Gesetzg.*, 11, Heft 2.
- UNSIGNED. Banque de France: Situations Annuelles, depuis 1800. *Bull. de Stat. et de Lég. Comp.*, June.

In Periodicals.

- COCHUT (A.). La Situation Monétaire en 1886. I. La France et l'Union Latine. *Rev. des Deux*

IX. SOCIAL QUESTIONS.

- ADAMS (H. B.). Notes on the Literature of Charities. [Johns Hopk. Univ. Studies.] Baltimore: N. Murray, agent. 8vo. pp. 48. 25 cts.
- BAERNREITHER (J. M.). English Associations of Working Men. Translated by Alice Taylor. London: Swan, Sonnenschein & Co. 2 vols. [Announced.]
- CAPRARO (T.). Sulla Questione Sociale. Bassano. 16mo. pp. 362. 4 fr.
- CONGRÈS National des Syndicats Ouvriers, tenu à Lyon (October, 1886). *Compte rendu officiel*.

- Paris: Bureaux de la Fédération Syndicale. 8vo. pp. 398.
- DODD (ANNA B.). *The Republic of the Future; or, Socialism a Reality.* New York: Cassell & Co. 50 cts.
- EBENHOECH (A.). *Sieben Vorträge über die "Soziale Frage."* Linz: Ebenhöch. 8vo. pp. 128. 1.60 m.
- GRUBER (I.). *Die Haushaltung der arbeitenden Klassen.* [Band I., Heft 4, of Elster's Staatswissensch. Studien.] Jena: Fischer. 8vo. 3 m.
- GUILLARD (E.). *Protection et Organisation du Travail.* Paris: Guillaumin & Cie. 18 j. pp. 112. 1.50 fr.
- KERBEL (T. E.). *The Agricultural Laborer: A short Summary of his Position.* [New ed. with fresh chapters.] London: W. H. Allen. 8vo. pp. 270. 3s. 6d.
- KIRKUP (T.). *An Inquiry into Socialism.* London: Longmans & Co. [Announced.]
- METZLER (G. K.). *Statistische Untersuchungen über den Einfluss der Getreidepreise auf die Brodpreise und . . . die Löhne.* [From Elster's Staatswissensch. Studien.] Jena: Fischer. 8vo. 1.50 m.
- MILLER (J. B.). *Trade Organizations in Politics.* [Essays on political subjects, and in answer to H. George.] New York: Baker & Taylor Co. pp. 224. \$1.25.
- PRICE (L. L. F. R.). *Industrial Peace: Its Advantages, Methods, and Difficulties.* A report of an inquiry made for the Toynbee Trustees, with an Introduction by Alfred Marshall. London: Macmillan & Co. [Announced.]
- RAFFALOVICH (A.). *Le Logement de l'Ouvrier et du Pauvre* (États-Unis, Grande-Bretagne, France, Allemagne, Belgique). Paris: Guillaumin. 12mo. 3.50 fr.
- SMITH (BRUCE). *Liberty and Liberalism: A Protest against the Growing Tendency towards Undue Interference by the State.* London: Longmans & Co. [Announced.]
- SPIELBERG (O.). *Der Kampf gegen die bestehende Ordnung.* Zürich: Verlags-Magazin. 8vo. pp. 75. 1.20 m.
- TOENNIES (F.). *Gemeinschaft und Gesellschaft. Abhandlung über den Communismus und den Socialismus als empirischen Culturformen.* Leipzig: Fues. 8vo. pp. 324. 6 m.
- TROST (K.). *Sozialismus und Sozialpolitik: Kritischer Rück- und Vordblick.* Stuttgart: Cotta. 8vo. pp. 117. 2 m.

In Periodicals.

- ELSTER (L.). *Ämtliche Mitteilungen aus den Jahresberichten der mit Beaufsichtigung der Fabriken betrauten Beamten.* Jahrb. f. Nat. Oek., 15, Heft 2, 3.
- HOLYOAKE (G. J.). *The Growth of Co-operation in England.* Fortnightly, Aug.
- LEROY-BEAULIEU (P.). *Les États et l'Alcoolisme.* Econ. Français, July 2, 9.
- MALLOCK (W. H.). *Wealth and the Working Classes.* Part III. Fortnightly, Aug.
- ROBINSON (F. M.). *Our Workingwomen and their Earnings.* Fortnightly, July.
- SCHMOLLER (G.). *Ein Mahnruf in der Wohnungsfrage.* Jahrb. f. Gesetzg., 11, Heft 2.
- SIMCOX (E.). *Women's Work and Women's Wages.* Longmans, July.
- UNSIGNED. *Trade Unions: by a Trade Unionist.* Fortnightly, Sept.
- WISS (E.). *Die Vorschläge und Versuche der Privatwirthschaft dem Mangel an . . . Wohnungen in . . . Städten abzuheffen.* [Concluded.] Viertelj. f. Volksw., 24, Band 2, 2.
- tersuchungen über Ursprung, Wesen und Fortbestand der Grundrente. Leipzig: Wiegand. 8vo. pp. 199. 3 m.

X. LAND.

- RUTHERFORD (R. C.). *Henry George vs. Henry George.* New York: Appleton & Co. 12mo. 50 cts.
- WACHENHUSEN (O.). *Neue Un-*

In Periodicals.

- BETHAM-EDWARDS (M.). French Peasant Proprietors. Fortnightly, Aug.
 CONRAD (J.). Die neueste Deutsche Literatur über die Verstaatlichung des Grund und Bodens. Jahrb. f. Nat. Oek., 15, Heft 2 and 3.
 EVERSHERD (H.). The Truth about Allotments. Nat. Rev., Sept.

- MORTARA (A.). Il Problema Agrario in Italia. Giorn. degli Econ., Oct.
 RUHLAND (G.). Die Agitation für Verstaatlichung von Grund und Boden in Deutschland. Zeitschr. f. Ges. Staatsw., 43, Heft 2 and 3.
 SCHAEFFLE (A. E. F.). Die volkswirtschaftliche Mitleidenschaft des Rentenkapitals. Deutsche Revue, Oct.

XI. LEGISLATION.

- SCHMITZ (J.). Die Arbeiter-Versicherung. Handbuch... nach den Reichsgesetzen. Neuwied: Heuser's Verl. Heft 3. Svo. pp. 81, 120. .60 m.
 WOEDTKE (E. von). Unfallversicherung der in Land- und Forstwirtschaftlichen Betrieben beschäftigten Personen in Preussen. Nach dem Reichsgesetz vom 5 Mai, 1886, und dem Preuss. Gesetz vom 20 Mai, 1887. Berlin: Reimer. 12mo. pp. 297. 2.40 m.

In Periodicals.

- BRANTWEINS, Gesetz betreffend die Besteuerung des, von 24 Juli, 1887. Jahrb. f. Nat. Oek., 15, Heft 2, 3.
 DUHAMEL (H.). Les Accidents du Travail. Journ. de la Soc. de Stat. de Paris, July, Aug.
 FREUND (R.). Das Berufsgenossenschaftliche Prinzip im Kranken-

- versicherungsgesetze, mit . . . Berücksichtigung . . . Berlina. Jahrb. f. Gesetzg., 11, Heft 2.
 PETERSEN-STUDNITZ (A.). Die Fabrikgesetzgebung in Dänemark und Schweden. Jahrb. f. Nat. Oek., 15, Heft 2, 3.
 STRINGHER (B.). Ueber Italienische Arbeitergesetzgebung. Zeitschr. f. Ges. Staatsw., 43, Heft 2, 3.
 SUMNER (W. G.). State Interference. North Am. Rev., Aug.
 THIEL (H.). Wirtschaftliche Selbstverantwortlichkeit und Versicherungszwang. Vortrag. Jahrb. f. Gesetzg., 11, Heft 2.
 ZELLER (Dr.). Das Reichsgesetz betreffend die Unfall- und Krankenversicherung [for persons in land or forest service.] Annal. des Deutsch. Reichs, Nos. 6 and 7.
 ZUCKERS, Gesetz betreffend die Besteuerung des, von 9 Juli, 1887. Jahrb. f. Nat. Oek., 15, Heft 2, 3.

XII. STATISTICS.

- ANNUAIRE de l'Économie Politique et de la Statistique. [By M. Block, with several collaborateurs.] 44me Année, 1887. Paris: Guillaumin. 18mo. 9 fr.
 EMIGRAZIONE Italiana, Statistica della: anno 1886. Ministero di Agricoltura, Industria, e Commercio. Rome. Svo. pp. 121. 1.50 fr.
 HASTINGS (E. J.). The Statistical Atlas of Commercial Geography. Edinburgh: Johnston. 4to. pp. 168. 2s. 6d.
 LEVASSEUR (E.). Les Populations Urbaines en France, comparées à celles de l'Étranger. Paris: Picard. Svo. pp. 90.

- OESTERREICHISCHES Statistisches Handbuch. [From the Imperial Central Statistical Commission.] 5er Jahrgang, 1886. Wien: Gerold. Svo. pp. 274. 6 m.

In Periodicals.

- EVERT (G.). Die Preussischen Sparkassen in 1885. Zeitschr. des Preuss. Stat. Bur., 27, Heft 1, 2.
 FOVILLE (A. de). Une Enquête sur les Prix de Détail. Écon. Français, Sept. 10, 24.
 HUMPHREYS (N. A.). Class Mortality Statistics. Journ. of Stat. Soc., June.

- LEVASSEUR (E.). Statistique de la Superficie et de la Population des Contrées de la Terre. Bulletin de l'Inst. Intern. de Stat., II., 2.
- RANDOW (A.). Versuch einer Arbeiterstatistik für das Deutsche Reich und Oesterreich. Jahrb. f. Gesetzg., 11, Heft 2.
- SCHEEL (H.). Zur Statistik der Brotpreise in Deutschland. Jahrb. f. Nat. Oek., 15, Heft 2, 3.
- UNSIGNED. Hamburger Waarendurchschnittspreise für 1885-86 [continuation of previous tables]. Ann. des Deutsch. Reichs, Nos. 8, 9.
- . Wirkliche und Mittelpreise der wichtigsten Lebensmittel [in Prussia] 1886. Zeitschr. des Preuss. Stat. Bur., 27, Heft 1, 2, Beilage.
- WAGNER (AD.). Ueber eine Aufgabe der Statistik der Preise. Bulletin de l'Inst. Intern. de Stat., II., 2.

XIII. NOT CLASSIFIED.

In Periodicals.

- MARCINOWSKI (F.). Die in Preussen neben der Staatslotterie zu gelassenen Lotterie-Unternehmungen. Zeitschr. des Preuss. Stat. Bur., 27, Heft 1, 2.

APPENDIX.

WORKMEN'S INSURANCE IN GERMANY.

[Prepared by F. W. TAUSSIG.]

The acts for the insurance of workmen against sickness and accidents are the most important results of the policy of social reform which has been entered on in Germany within the last few years. The discussions which led to these measures hinged at first on the amendment of the employer's liability act of 1871, whose working had not been entirely satisfactory.* They took wider scope as the socialist agitation gave a stimulus to the idea of a conscious and regulated interference by the state for the aid of the poorer classes. A first result was in the acts of April 7 and 8, 1876, by which communes were empowered to compel workmen to join associations, either of a voluntary nature or established by the commune itself, for insurance against sickness. Communes were also empowered to compel employers to contribute to such associations sums up to one-half the amount contributed by workmen. Legislation of more stringent character was, however, strongly urged, for which the *Knappschaftsvereine* in mining industries gave a model. These associations, which have existed for centuries, and membership in which has been for many years compulsory in most German states for mine-owners and miners, insure the workmen against sickness, permanent injury, and death, by means of premiums paid by owners and workmen. The first step for a general application of this method was taken in a bill for insurance against accident, submitted to the Reichstag in March, 1881, and providing for a centralized insurance managed by an imperial bureau and for contributions from the funds of the Empire. The Reichstag amended it by putting the management in the hands of the federal states, and not of the Empire. In this form the bill was passed by the Reichstag, but rejected by the Bundesrath. A second bill was presented in 1882, providing for insurance both against sickness and against accident. That part of it only which provided for sick insurance was found acceptable, and, being taken up separately, became law on June 15, 1883. A third project for insurance against accident was presented in the following year, differing from the previous schemes in that it called for no contributions from imperial resources, and organized more carefully the associations by which, under the second

*Some sketch of the discussion that preceded the legislation may be found in an article by G. Schmoller, "Haftpflicht und Unfallversicherung," in the *Jahrbuch für Gesetzgebung*, vol. v., pp. 249-318.

project, the insurance was to have been undertaken. The third bill finally became law, July 4, 1884: Certain supplementary acts, extending the fundamental provisions of these main acts with more or less modification to occupations not previously embraced, have since been passed, and are noted below.

A considerable body of literature has sprung up on this legislation, and several periodicals have been established to aid in its observance or operation. The Imperial Insurance Bureau issues *Amtliche Nachrichten* (Berlin), which are now in their third year; and it also gives its sanction to a semi-official publication, *Die Arbeiterversorgung* (Neuwied), which is in its fourth year. Other private periodicals are *Die Berufs-genossenschaft* (Berlin) and *Die Arbeiterversicherung* (Dresden).

We print a translation of the essential parts of the texts of the acts of 1883 and 1884. Non-essential parts are omitted; and of some parts we print, instead of the full text, an abstract, indicated by brackets.

AN ACT FOR THE INSURANCE OF WORKMEN AGAINST
SICKNESS, APPROVED JUNE 15, 1883.*

A. COMPULSORY INSURANCE.

§ 1. Persons who are employed at a salary or for wages — (1) in mines, salt works, establishments in which ores are treated, quarries, pits, factories smelting works, railroads and river-steamships, on wharves, and in building operations; (2) in mechanical trades and in any permanent manufacturing occupation; (3) in establishments in which machines moved by steam or other natural power (wind, water, steam, gas, hot air, etc.) are used, except where there is no more than temporary use of a machine not forming part of the plant — shall be insured against sickness according to the provisions of this act, excepting those persons mentioned in § 2, paragraphs 2-6, and excepting those whose employment is from its nature temporary or limited by contract to a period of less than one week. Administrative officers (*Betriebsbeamte*) are subject to compulsory insurance only if their pay does not exceed 6 2/3 marks for every work day.

Salary or wages, in the sense of this act, shall include *tantièmes* and payments in kind. The money equivalent of the latter is to be reckoned according to the average prices of the locality.

§ 2. A commune, or an association of communes, may by ordinance extend the provisions of § 1 to: (1) those persons specified in § 1 whose employment is from its nature temporary or limited by

* The text of this act is given in the *Jahrbücher für Nationalökonomie*, vol. vii. (neue Folge), pp. 436-452. French translations are in the *Annuaire de Législation Étrangère* for 1883, pp. 119-157, and in the *Bulletin de Statistique et de Législation Comparée*, vol. xiv., p. 90.

contract to a period of less than one week; (2) clerks and apprentices in mercantile establishments and in apothecaries' shops; (3) persons employed in transportation otherwise than as specified in § 1; (4) persons employed outside the seat of the establishment by those carrying on a mechanical trade [*Gewerbetreibende*]; (5) persons carrying on independently a mechanical trade in their own establishments, at the orders and on account of others (household industry); (6) agricultural laborers and those employed in forests. . . .

[§ 3 provides that persons employed in the public service of the empire, of one of its constituent states, or of a municipal body, at fixed salaries, are not to be affected by the act.]

B. GEMEINDEKRANKENVERSICHERUNG.*

§ 4. For all persons subject to compulsory insurance, insurance takes place at the hand of the commune, unless undertaken by an *Ortskrankenkasse* (§ 16), by a *Betriebs- (Fabrik-) Krankenkasse* (§ 59), a *Baukrankenkasse* (§ 69), an *Innungskrankenkasse* (§ 73), or a registered or duly authorized *Hilfskasse* (§ 75). Persons of the kind mentioned in §§ 1, 2, 3, who are not subject to insurance, and domestic servants, shall have the right to join the *Gemeindekrankenversicherung* in the commune in which they are employed. They may join by written or verbal notice to the commune or its officers, but shall have no right to benefits in case of sickness that has begun at the time of giving notice. Those who have joined and have failed to pay the insurance contribution for two successive dates of their falling due forfeit their insurance at the hand of the commune.

§ 5. Those persons for whom *Gemeindekrankenversicherung* takes place are to be given by the commune within whose limits they are employed benefits in case of sickness, or in case of disability from work brought about by sickness. From such persons the commune shall raise sick insurance contributions (§ 9).

§ 6. There shall be granted as benefits in case of sickness: (1) from the beginning of sickness, gratuitous medical attendance, medicines, spectacles, trusses, and similar appliances; (2) in case of disability from work, for each working day, beginning with the third day after the day on which sickness begins, a sick pay of one-half of the daily pay of ordinary laborers at the locality.

These benefits shall cease, at latest, at the close of the thirteenth week after the beginning of the sickness.

The communes are empowered to make regulations whereby sick pay is to be granted only in part or not at all in cases where the sickness has been brought about intentionally, by criminal participation in

* Insurance at the hand of the communes.

assaults and brawls, by drunkenness, or by sexual excesses; and also regulations whereby persons who are not subject to compulsory insurance and who voluntarily join the *Gemeindekrankenversicherung* are to obtain aid only at the close of a specified period after their joining,—that period, however, not to exceed six weeks.

Sick pay is to be paid at the close of each week.

§ 7. In place of the benefits prescribed in § 6, free treatment in a hospital may be given: (1) for those who are married or members of a family, with the consent of their family, or without that consent if the sickness calls for treatment such as cannot be given properly by the family; (2) for all other persons unconditionally.

If the person taken to a hospital has others dependent on him, whom he has previously supported, he is to receive in addition to free hospital treatment the sick pay provided for in § 6.

§ 8. The amount of the daily wages of ordinary laborers in each locality is to be determined by the higher administrative authorities after consultation with the communal authorities. The determination is to be made separately for men and for women, for young persons and for adults. Apprentices shall be assumed to receive the wages of young persons.

§ 9. The insurance contributions to be raised by the communes, except as otherwise provided in § 10, are not to exceed 1 1-2 per cent. of the daily wages of the locality, and are to be raised at that rate unless otherwise provided for. [Separate accounts are to be kept by the communes of the receipts and expenses for this purpose.]

If the receipts on insurance account do not suffice for the payments due from it, the deficit is to be made good from the general resources of the commune, and is to be repaid to the commune out of the insurance account, provided that the provisions of § 10 in regard to that account have been complied with.

§ 10. If the yearly accounts show that the lawful insurance contributions do not suffice to pay the lawful benefits, the contributions can be raised, with the consent of the higher administrative authorities, to 2 per cent. of the ordinary daily wages of the locality. Any excess of receipts over expenses, so far as not needed to reimburse the commune for advances made by it, is to be used for the accumulation of a reserve fund to the amount of the annual average total receipts. The contributions shall then be lowered to 1 1-2 per cent. of the ordinary daily wages of the place. If, thereafter, an excess of receipts still remains, the commune shall determine whether contributions are to be further lowered or an increase in the benefits granted is to be made. Should the commune take no action, the higher administrative authority may require a reduction of the contributions.

§ 11. If persons for whom *Gemeindekrankenversicherung* has set in leave the occupations whereby they became entitled to that insurance and do not enter an occupation in which they become by this act entitled to insurance, their right to aid shall continue so long as they continue to pay the insurance contributions, and either remain in the commune in which they formerly lived or else have their domicile in the commune in which they were last employed.

§ 12. A number of communes can agree to unite for joint communal insurance. [Detailed provisions are made for such joint action, which can also be prescribed by the higher administrative bodies.]

§ 13. If in any commune there are less than fifty persons for whom communal insurance is to take place, or if the yearly accounts of any commune show, after the increase of the insurance contributions to 2 per cent. of daily wages, that permanent supplements from the general funds of the communes are needed to pay the benefits herein provided for, such communes on its own application can be joined by the higher administrative authorities with one or more neighboring communes for joint insurance. Should these conditions take place for the majority of the communes belonging to a larger communal association, the higher administrative authorities may require that such larger communal association shall take the place of the individual communes for the purpose of sick insurance. [Sections 14 and 15 make further and detailed provisions for joint action by communes.]

C. ORTSKRANKENKASSEN.*

§ 16. The communes shall have the right to establish for persons liable to insurance, who are employed within their limits, *Ortskrankenkassen*, provided that the number of persons to be insured by such association be at least one hundred. The *Ortskrankenkassen* shall be established, as a rule, for persons employed in one trade or in one class of occupations. Joint *Ortskrankenkassen* may be established for several trades, or several classes of occupations, if the number employed in the individual trades or occupations is less than one hundred.

Trades or occupations in which one hundred or more persons are employed can be united with other trades or occupations in a joint *Ortskrankenkasse* only in case the persons employed have been given an opportunity to express their wishes in regard to the establishment of the joint association. Should there be opposition, the higher administrative body is to decide as to the establishment of such joint association.

* Local sick associations.

§ 17. The higher administrative body may require the commune to establish an *Ortskrankenkasse* for persons employed in a trade or occupation, if such action is requested by the persons concerned, and if this request, after opportunity given for the expression of opinion by all concerned, is made by more than half of these and by at least one hundred persons. A similar requirement may be made for the establishment of a joint *Ortskrankenkasse* for a number of trades or occupations, if more than one-half of the persons employed in each trade and in each occupation, and at least one hundred persons, join in the request.

[Further provision is then made for the establishment of *Ortskrankenkassen*, which are authorized in certain cases even if their membership is less than one hundred.]

§ 20. The *Ortskrankenkassen* shall provide at the least: (1) a sick pay, which is to be ascertained in the manner specified in §§ 6, 7, 8, substituting, however, for the daily wages of ordinary laborers the average daily wages of those trades or classes for whom the association is established, in so far as that average shall not exceed three marks per working day; (2) a similar payment to women in childbirth for three weeks after the birth; (3) in case of death, a payment of twenty times the average wages of day laborers in the locality, as described in § 8.

The average wages of the members of such an association may also be arranged in classes, in so far as there are differences between the wages of different members. In such case, the average daily wages in any one class shall not be fixed at more than four marks per day nor at less than the amount of the wages of ordinary laborers (§ 8).

[§ 21 provides that *Ortskrankenkassen*, if they see fit, may enlarge their benefits by extending the time for which aid shall be granted, by increasing the amount of sick pay, by granting sick pay to those who are treated in hospitals, and in other specified ways; but they may not provide for benefits to invalids, widows, or orphans.]

§ 22. The contributions to the *Ortskrankenkassen* are to be fixed at a percentage of daily wages sufficient, when added to such other receipts as there may be, to provide for the statutory benefits, running expenses, and a reserve fund as required by § 32.

§ 23. The communal authority, after a hearing of the persons concerned or their representatives, shall establish by-laws [*Kassenstatut*] for each *Ortskrankenkasse*. The by-laws shall determine: (1) the classification of the persons subject to insurance who are to be members of the association; (2) the benefits to be given; (3) the amount of the contributions; (4) the choice of the executive committee [*Vorstand*] and its powers; (5) the composition of the general meeting

and the manner in which it shall be called and shall conduct its business; (6) the manner of amending the rules and regulations; (7) the rendering and auditing of the yearly accounts. The by-laws shall contain nothing inconsistent with the objects of the association or with provisions of law.

§ 24. The by-laws of the association must be approved by the higher administrative authorities, which shall take action with regard to them within six weeks, and shall approve them unless they fail to comply with the provisions of this law. If approval is refused, the reasons therefor shall be communicated. [Provision is made for an appeal from such a decision of the higher administrative authorities.]...

§ 26. . . . The by-laws may further determine: (1) that members who have repeatedly defrauded the association shall be excluded; (2) that members who have brought on their sickness intentionally, by criminal participation in assaults or brawls, by drunkenness, or by sexual excesses, shall not receive the benefits or receive them only in part; (3) that a member who has received the statutory benefits for thirteen weeks uninterruptedly, or for thirteen weeks of a single calendar year, shall receive, on occasion of a new sickness, the lawful minimum of aid only if a period of thirteen weeks or more has elapsed between the granting of the previous aid and the beginning of the new sickness; (4) that persons not subject to compulsory insurance, who have become voluntarily members of the association, shall not receive aid until the end of a period not exceeding six weeks after their joining the association.

[The next sections make further provisions as to the *Ortskrankenkassen*, among others that membership shall cease when the payment of contributions has not been made on two successive dates of payment due; that members who lose their employment shall retain their right to aid from the association for a period of not more than three weeks after the time when their membership ceases; that employers who are under an obligation to make payments to the association out of their own means shall have a representation on its executive committee not exceeding one-third the number of the committee; that several communes can unite for the establishment of joint *Ortskrankenkassen*.]...

§ 44. The supervision of the *Ortskrankenkassen* shall be undertaken in communes of more than ten thousand inhabitants by the communal authorities; elsewhere, by such authorities as may be designated by the governments of the respective federal states.

§ 45. The supervising authority shall see that the provisions of law and of the by-laws are obeyed, and may compel obedience by threat-

enings and fixing penalties on the officers of associations. It may inspect all transactions, books, and accounts of the association, and examine the cash. It may require meetings of the officers of the association to be held, and, in case of need, may itself call such meetings. . . .

D. PROVISIONS COMMON TO GEMEINDEKRANKENVERSICHERUNG AND TO ORTSKRANKENKASSEN.

§ 49. Employers shall give notice, at least three days after employment begins, of every person employed by them to whom *Gemeindekrankenversicherung* applies or who belongs to an *Ortskrankenkasse*, and shall give notice, at least three days after the close of the employment, of such close. [Provision is made for the places at which these notices shall be given.]

§ 50. Employers who fail to give the notices required of them shall reimburse all expenses incurred in consequence of statutory provision by a commune or an *Ortskrankenkasse*, in aid of any person who shall have become sick before notice given.

§ 51. Employers shall pay in advance the contributions which shall become due, by statute or lawful regulation, to the *Gemeindekrankenversicherung* or to an *Ortskrankenkasse*, for persons employed by them. Contributions to the former shall be paid weekly, unless otherwise determined by vote of the communal authorities. Contributions to the latter shall be paid at the periods fixed by their rules and regulations. Contributions shall continue to be paid until the required notice of termination of employment has been given. Money so paid may be refunded to the employer, if the person on whose account it was paid shall have parted in the mean while from the insuring body to which the payment was made.

§ 52. Employers shall pay out of their own means one-third of the contributions due on account of persons employed by them and liable to insurance. By local ordinance (§ 2), it may be provided that employers who do not use steam-boilers or other machinery propelled by natural power, and who do not employ more than two persons subject to compulsory insurance, shall be released from the obligation to make contributions out of their own means.

§ 53. Employers shall have the right to subtract from the wages of persons employed by them the contributions which they are obliged to pay for such persons, in so far as they are not obliged by § 52 to pay such contributions out of their own means, provided that such subtractions shall be made proportionally to the wages due at any one time of payment. . . .

§ 56. The rights accruing under this act to persons entitled to benefits may not be forfeited, transferred, or pledged, and may be offset only by contributions due on account of them.

§ 57. The obligation of communes or poor law associations for the maintenance of persons in need of aid, and the rights which persons insured under this act may have by contract or by force of law, against third persons, shall not be affected by this act.

In case a commune or poor law association grants aid, lawfully required of it, for a period during which the person aided had rights by force of this act, such rights shall accrue to the commune or association to the extent of the aid granted by it. The same shall hold good of employers and associations which shall have fulfilled, under requirement of law, an obligation incumbent upon communes or poor law associations.

In case the *Gemeindekrankenversicherung* or an *Ortskrankenasse* shall have granted benefits in a case of sickness for which the insured person had a legal right of indemnity against third persons, this claim, to the extent of the benefits granted, shall accrue to the *Gemeindekrankenversicherung* or the *Ortskrankenasse*. . . .

E. BETRIEBS- (FABRIK-) KRANKENKASSEN.*

§ 59. Associations which shall be created for one or more establishments carrying on the trades specified in § 1, and which shall provide, by contract or factory rules, for the compulsory membership of the persons employed in such establishments, shall be subject to the following provisions:—

§ 60. An employer who employs in one or more establishments fifty or more persons subject to compulsory insurance shall have the right to establish a *Betriebs- (Fabrik-) Krankenkasse*. He may be compelled, by order of the higher administrative authority, to establish such association, if a request to this effect is made by the commune in which the employment takes place or by the sick association of which the persons employed are members. Before such an order is issued, the employer shall have an opportunity to be heard; the persons employed by him, or their elected representatives, shall have a similar opportunity; and, should the request come from an *Ortskrankenasse*, the commune also shall have such opportunity.

§ 61. Employers in whose works there is peculiar danger of sickness to the persons employed may be compelled to establish a *Betriebs- (Fabrik-) Krankenkasse*, even though they employ less than fifty persons. Employers employing less than fifty persons may be permitted to establish such an association, if its permanent financial sol-

* Sick associations for particular establishments (factories).

vency is made certain in a manner satisfactory to the higher administrative authority.

§ 62. Employers who fail to fulfil the obligation to establish a *Betriebs- (Fabrik-) Krankenkasse* within a period to be determined by the higher administrative authority shall pay out of their own means for every person employed by them and subject to compulsory insurance, contributions of not more than five per cent. of the wages earned, to the *Gemeindekrankenversicherung* or to the *Ortskrankenkasse*. The extent of such contributions shall be fixed without appeal by the higher administrative authority after a hearing of the communal authorities.

[Further rules are then laid down for these *Betriebs- (Fabrik-) Krankenkassen*. The manner of making out their by-laws is determined, the provisions in regard to the *Ortskrankenkassen* being made to apply to them, with certain modifications.]

§ 65. The employers in whose establishments such associations are established shall pay out of their own means one-third of the contributions due for members by the statutes of the associations. They shall have the right to deduct from wages, at each regular payment of wages, two-thirds of the contributions due, the deduction being made proportionally to the wages then due.

In case the minimum benefits required of the association cannot be covered by contributions, after these contributions have reached three per cent. of the average daily wages or earnings of the persons insured, the employers shall pay out of their own means the additional sums needed. . . .

F. BAUKRANKENKASSEN.*

§ 69. For persons employed in building railroads, canals, roads, levees, dikes, and fortifications, as well as in any other temporary building operations, *Baukrankenkassen* shall be established, at the order of the higher administrative authority, by the persons carrying on the operations, if they employ for a continuous period of time a considerable number of workmen.

§ 70. The obligations hereby imposed upon the persons carrying on building operations may be transferred, with the consent of the higher administrative authority, to one or more contractors undertaking a part or the whole of such operations on their own account, provided such contractors give security to the higher administrative authority for the fulfilment of their obligations.

§ 71. Builders who do not fulfil the obligation imposed upon them by § 69 shall pay out of their own means to persons employed

* Sick associations for building operations.

by them, or their representatives, the aids provided for such persons by § 20 in case of sickness or death. . . .

[Part G of the act provides for *Inaungskrankenkassen*, which may be formed by incorporated associations of employers for the application of the act to their apprentices and journeymen. Part H enacts that, where associations for aid in case of sickness already exist, such as the *Knappschaftskassen* of mining regions and the registered *Hilfskassen* (friendly societies), these associations shall so modify their regulations and procedure as to conform to the provisions of the present act.]

AN ACT FOR INSURANCE AGAINST ACCIDENTS, JULY 6, 1884.*

I. GENERAL PROVISIONS.

§ 1. All workmen and administrative officers (*Betriebsbeamte*) employed in mines, salt works, establishments in which ores are treated (*Aufbereitungsanstalten*), quarries, pits, on wharves, in building establishments, in factories and smelting works, shall be insured in accordance with the provisions of this act against accidents occurring in the course of their occupations. The act shall apply to administrative officers only in so far as their yearly pay or salary does not exceed two thousand marks.

It shall also apply to workmen and administrative officers employed by persons who undertake the execution of masonry, carpentry, roofing, stone-cutting, well-digging work, and to chimney-sweeps.

The establishments enumerated in paragraph 1 shall include, for the purposes of this act, all undertakings in which machinery propelled by steam or other natural power (wind, water, steam, gas, hot air, etc.) is used, excepting undertakings accessory to agriculture or forestry and not specified in paragraph 1, and excepting, also, such undertakings as employ temporarily a machine not forming part of the permanent plant.

Factories, in the sense of this act, shall mean undertakings in which a business of working at commodities is carried on (*Bearbeitung oder Verarbeitung von Gegenständen gewerbsmässig ausgeführt*), and in which not less than ten workmen are usually employed, and also undertakings in which explosives are produced in course of business.

[It is further provided that the Imperial Insurance Bureau

* The text in German is in Supplement-Heft 10 to the *Jahrbücher für Nationalökonomie* (1884). French translations are in the *Annuaire de Législation Étrangère* for 1884, pp. 121-173, and in the *Bulletin de Statistique et de Législation Comparée*, vol. xvi., p. 216, seq.

(*Reichsversicherungsamt*) shall decide what other undertakings are to be considered factories; that the act shall apply to railroads and steamships which form an essential part of any of the enumerated occupations; that the Bundesrath may exempt undertakings in which there is no danger of accident from the obligation to insure.]

§ 2. The rules and regulations of an insuring body (§ 16, *seq.*) may extend the obligation to insure to administrative officers having a salary of more than two thousand marks a year. In such case, the indemnity is to be calculated on the basis of an entire year's pay. The rules and regulations may further determine the conditions under which an employer in undertakings specified in § 1 may insure himself, or other persons not subject to insurance by § 1, against accident.

§ 3. *Tantièmes* and payments in kind shall be considered part salary or wages in the sense of this act. The money value of articles received in kind shall be reckoned according to the local prices.

Annual earnings shall mean, unless made up of fixed sums paid at least once a week, three hundred times the average earnings per day. In those occupations in which the customary methods of work give to workmen regularly employed a smaller or larger number of working days, that number of working days shall be counted in reckoning the annual earnings.

[§ 4 provides that officers of the empire, of a federal state, or of a municipal body, having a fixed pay and entitled to pension, shall not be affected by the act.]

§ 5. The insurance shall yield indemnity for bodily injury or death, to be measured as follows. The indemnity in case of bodily injury shall be: (1) those expenses of cure which arise after the beginning of the fourteenth week from the occurrence of the injury; (2) a regular payment to be made after the beginning of the fourteenth week from the occurrence of the injury, to the person injured, during the continuance of his inability to work.

This payment is to be based upon the average earnings per day of the person injured, during the last year of his employment in that occupation in which the injury took place; but any excess of earnings over four marks is to be counted for only one-third of its amount. If the person injured has not been employed for an entire year in the occupation in which the injury took place, the average annual earnings of workmen of the same class in the same or similar occupations shall be used as the basis of reckoning. If these earnings do not reach the average local daily wages of ordinary laborers, as fixed by the higher administrative authorities according to § 8 of

the act of June 15, 1883, for insurance against sickness, this latter amount shall be used as the basis of reckoning.

The payment shall be: (a) in case of complete inability to work, 66 2-3 per cent. of the earnings, during such inability; (b) in case of partial inability to work, a portion of the payment specified in (a), to be determined according to the measure of earning capacity that remains. No right to indemnity shall belong to the person injured or his representatives, if he has intentionally brought about the accident.

[The next paragraphs provide for the accounting between the associations which have to insure against sickness by the act of 1883 and the associations which have to insure against accident by this act, for the indemnities imposed upon them respectively.]

§ 6. In case of death, the following additional indemnities are to be granted: (1) for expenses of burial, twenty times the daily earnings as determined by § 5, but not less than thirty marks; (2) a pension to be paid to the representatives of the person killed, which is to be based on earnings as defined in § 5. It shall be: (a) for the widow until her death or remarriage, 20 per cent. of the earnings; for every fatherless child within the age of fifteen years, 15 per cent.; and, if that child loses or has lost its mother, 20 per cent. of the earnings. The payments to widow and children together shall not exceed 60 per cent. of the earnings. If a higher percentage results from the above provisions, each share shall be reduced proportionally. If the widow marries again, she shall receive three times the amount of her annual pension as payment in full. No right shall accrue to the widow, if her marriage with the person insured took place after the occurrence of the accident.

(b) For parents or grandparents (*Azendenten*) of the person killed, if he was their sole support, the pension shall be, until their death or cessation of their need, 20 per cent. of his earnings. If there be several persons entitled under (b), parents shall be preferred to grandparents. If persons enumerated under (b) and persons enumerated under (a) put in competitive claims, the first mentioned shall have rights only in case the last mentioned put in a claim for the maximum pension. Representatives of a foreigner, who were not living within the country at the time of the accident, have no claim.

[§ 7 provides that, in place of the indemnity secured by § 5, treatment in hospitals can be given under the same conditions as are enumerated in the act for insurance against sickness.]

§ 9. The insurance shall be undertaken by the employers (*Unter-*

nehmer) in the occupations mentioned in § 1, who are to be united for this purpose in *Berufsgenossenschaften*,* which are to be formed for specified districts, and, as a rule, shall include all establishments within each district in the branches of industry for which the associations are formed.

The person on whose account the business is carried on shall be reckoned as the employer. Establishments in which are included occupations of different kinds shall be assigned to that *Berufsgenossenschaft* to which the main occupation belongs. The *Berufsgenossenschaften* can acquire rights and assume obligations, sue and be sued, under their own names. For their debts, their property only shall be liable.

§ 10. The means for paying the indemnities assumed by the *Berufsgenossenschaften*, and for paying the expenses of their administration, shall be raised by contributions which are to be fixed year by year on the basis of the wages and salaries earned in the respective establishments by the persons insured, and on the basis of the danger-tariff hereinafter provided for (§ 28). Any excess of wages or salaries over an average, during the period of contribution, of four marks per day, shall be reckoned only for one-third of such excess.

No contributions may be raised from the members of the *Berufsgenossenschaften*, nor may their property be employed, for other purposes than the payment of the indemnities imposed on them, the granting of prizes for rescuing persons in danger and for preventing accidents, and the accumulation of reserve funds. . . .

II. FORMATION AND CHANGE OF THE BERUFGGENOSSENSCHAFTEN.

§ 11. Every employer in an establishment mentioned in § 1 shall give notice to the lower administrative authorities, within a period to be fixed and publicly announced by the Imperial Insurance Bureau, of the articles produced by him and the manner of producing them. For the establishments of which no notice is given, the authorities are to gather information as they can. They shall have the right to impose a fine on employers of not more than one hundred marks for failure to give the required notice.

The lower administrative authorities shall draw up a list of all establishments in their district, arranged according to the classification of the Imperial Statistics, stating the articles produced, the manner in which they are produced, and the number of employees

*Trade Associations.

who are to be insured. This list shall be handed to the upper administrative authorities, by whom it is to be corrected, in case of need, so as to conform to the classification of the Imperial Statistics. The upper administrative authority shall hand to the Imperial Insurance Bureau similar lists of all establishments liable to insurance within their district.

III. VOLUNTARY FORMATION OF BERUFGENOSSENSCHAFTEN.

§ 12. The *Berufsgenossenschaften* may be formed, with consent of the Bundesrath, by agreement of the employers. The consent of the Bundesrath may be refused: (1) if the number of establishments for which the *Berufsgenossenschaft* is to be formed, or the number of workmen employed in them, is too small to guarantee the ability of the association permanently to fulfil its obligations in respect of insurance against accident; (2) if establishments are excluded from the *Berufsgenossenschaft*, which, because of their small number or the small number of the workmen employed in them, cannot form a solvent association of their own and cannot be practicably assigned to another association; (3) if a minority opposes the formation of the *Berufsgenossenschaft* and offers to form, for specific occupations or districts, a separate association deemed to be solvent.

[§§ 13 and 14 provide for the formation of the *Berufsgenossenschaften* by general meetings of the employers, which are to take place under the supervision of the Imperial Insurance Bureau. At these meetings, every employer has one vote for any number of workmen less than twenty, one vote for every twenty additional workmen up to two hundred, one for every hundred workmen above two hundred. § 15 provides for the formation by the Bundesrath of *Berufsgenossenschaften* in cases where the employers do not form them voluntarily, or fail to comply with §§ 12 to 14 in endeavoring to form them.]

§ 16. The *Berufsgenossenschaften* shall establish at a general meeting of their members by-laws (*Genossenschaftsstatut*) for their administration and order of business. . . .

§ 17. The by-laws shall fix: (1) the name and seat of the association; (2) the manner of selecting the executive committee (*Genossenschaftsvorstand*) and the extent of its powers; (3) the calling of the general meeting of the association and the manner in which it shall act; (4) the voting powers of the members, and the inspection of proxies for voting; (5) principles on which the officers shall act in arranging the classification of the danger-tariff (§ 28); (6) the

procedure in case of changes in the establishments or changes of employers; (7) the consequences of a stoppage of work in establishments, and, more particularly, the manner of making certain the payment of contributions by employers whose establishments close; (8) the payments to be made to the representatives of the workmen for attendance at association meetings (§§ 44, 49); (9) the handing in and auditing of the yearly accounts; (10) the manner of exercising the powers hereinafter granted to the association for preventing accidents and inspecting establishments; (11) the conditions under which the by-laws may be changed.

§ 18. The *Berufsgenossenschaften* shall accumulate a reserve fund. For its accumulation there shall be levied, when the first period for the payment of insurance contributions arrives, 300 per cent. of such contributions; at the second period, 200 per cent.; at the third, 150 per cent.; at the fourth, 100 per cent.; at the fifth, 80 per cent.; at the sixth, 60 per cent.; and thereafter, until the eleventh period, 10 per cent. less at each period. After the close of the first eleven years, the interest of the reserve fund is to be added to the principal until the fund shall have reached twice the sum annually needed by the association. Thereafter, the interest of the reserve fund, so long as the reserve fund exceeds twice the sums annually needed, may be used for meeting the current obligations of the association.

Upon application of the executive committee, the general meeting of the association may at any time order further supplementary contributions to the reserve fund, and may determine that the fund shall be raised to more than twice the sums annually needed. Such determination shall require the approval of the Imperial Insurance Bureau.

In cases of stringent need, the association, with the approval of the Imperial Insurance Bureau, may use the interest of the reserve fund and even trench on the principal, before the accumulation required above. Restitution to the reserve fund shall then take place as may be required by the Imperial Insurance Bureau.

[§§ 19-27 provide for the composition of the general meetings, permit the division of the *Berufsgenossenschaften* into geographical sections, make the consent of the Imperial Insurance Bureau necessary to the validity of the by-laws of the association, require the publication of the name, seat, and officers of the association, and regulate the election and duties of the officers and trustees. Officers and trustees may not decline an election, though they may decline a re-election, and shall serve without pay.]

§ 28. The general meeting of the association shall establish rules for classifying establishments according to the danger of accident in

them, and for determining the amount of the contributions in different establishments according to a danger-tariff. By vote of the general association, the arrangement and amendment of the danger-tariff can be assigned to a committee or to the executive committee. The arrangement and amendment of the danger-tariff must have the approval of the Imperial Insurance Bureau. If the association fails to establish a danger-tariff within a period to be determined by the Imperial Insurance Bureau, or fails to get the assent of the bureau to its tariff, the Imperial Insurance Bureau, after hearing such representatives of the association as shall have been assigned the task of fixing the tariff, shall itself set up the tariff.

The assignment of establishments to the different classes in the danger-tariff shall be made by the officers of the association in the manner prescribed by its by-laws. An employer may appeal from the assignment within two weeks to the Imperial Insurance Bureau.

The danger-tariff is to be revised after a period of not more than two years, and thereafter is to be revised every five years in the light of the accidents that have taken place in the different establishments. The results of such revision are to be submitted to the general meeting of the association, with a statement of the accidents insured against in this act, that have taken place in the different establishments. The general assembly shall then act on the maintenance or amendment of the classification and danger-tariff. The general assembly can for the ensuing period add supplements to or make deductions from the contributions of employers according to the number of accidents that have taken place in their establishments. Changes in the classification or in the danger-tariff are not valid without the approval of the Imperial Insurance Bureau, and a list of accidents that have taken place shall be laid before the Bureau.

§ 29. The by-laws may provide that the indemnities, up to 50 per cent. thereof, shall be borne by the geographical sections in whose districts the accidents take place. The contributions which may thereby be imposed upon the sections shall be divided among their members in accordance with the classification and the contributions established for the association itself.

§ 30. Associations may unite for the purpose of joint action, in part or in whole, in paying indemnities. Such unions must have the consent of the general meetings of the associations concerned and the approval of the Imperial Insurance Bureau. They shall take effect only at the beginning of a financial year. Agreements of this kind must make provision for the manner of dividing the obligations jointly assumed by the associations. . . .

[§§ 31-33 regulate further the manner in which the union of several associations shall take place, determine the conditions under which particular branches of industry or establishments in a particular district may leave or enter one or another association, provide for the dissolution of associations which shall have become insolvent, etc.]

§ 34. Every employer in an establishment belonging to those branches of industry for which the association is established in a given district is a member of that association. The employer in an establishment subject to insurance at the time when this act takes effect becomes a member at that time. Employers in establishments that come into existence at a future date, or become subject to insurance at a future date, become members at those dates respectively. Every member of an association has the right to vote, provided that he has not lost his honorary civil rights (*bürgerliche Ehrenrechte*).

[§§ 35-40 make it compulsory for employers to give notice of the character, size, and number of employees, of their establishments, and of changes in their occupations or establishments; require the officers of associations to maintain lists of the members; require the associations to hand in lists of their members to the Imperial Insurance Bureau, etc.]

IV. REPRESENTATION OF THE WORKMEN.

§ 41. Representatives of the workmen shall be elected for every section of an association, and, if the association is not divided into sections, for the association itself, for the purpose of electing members of the board of arbitration (§ 46), for the confirmation of the regulations for the prevention of accidents (§§ 78, 81), and for participation in the election of two non-permanent members of the Imperial Insurance Bureau (§ 87). The number of representatives shall be equal to the number of employers on the executive committee of the section or association.

§ 42. The election shall be by the executive committees of the *Ortskrankenkasse* or other sick insurance association whose seat shall be within the district of the section or association, and of which at least ten insured persons, employed in the establishments of members of the *Berufsgenossenschaft*, shall be members. The representatives of the employers in the sick insurance association shall have no vote in the election. Only those male persons are eligible for election who are of age, are obligatory members of the associations created by this

act, are employed in establishments of members of the association within the district of the section or association, are in possession of the citizens' rights (*bürgerliche Ehrenrechte*), and are not by judicial order fettered in the management of their property.

[Part V., §§ 46-50, provides for a board of arbitration for every *Berufsgenossenschaft* or section. It is to consist of a chairman, who is appointed by the government of the federal state, and must be a public officer; of two members elected by the association or section; and of two more elected by the representatives of the workmen.

Part VI., §§ 51-77, regulates the manner in which indemnities shall be fixed and paid. When an accident occurs, the local police authorities make an investigation, and decide on the cause and nature of the accident, what persons were injured and the nature of their injuries, and what persons there are (widows, orphans, etc.) who may be entitled to indemnities. The executive committee of the association or section then decides what indemnities, if any, shall be paid. From their decision appeal lies to the board of arbitration, and from this to the Imperial Insurance Bureau. The indemnities are to be paid by orders on the post-office, which is to be reimbursed annually by the associations for its advances.]

§ 78. An association shall have the power for the whole of its district or for any part thereof, or for particular branches of industry, or for particular kinds of establishments, to make regulations as follows: (1) Requiring members to adopt measures for preventing accidents, under penalty of assigning them to a higher class in the danger-tariff, or, in case they are already in the highest class, under penalty of supplements to their contributions up to twice the previous amount. A reasonable period is to be allowed members for adopting the required measures. (2) Requiring the persons insured to obey regulations for the prevention of accident, under penalty of fines up to six marks.

Regulations of this kind must have the approval of the Imperial Insurance Bureau. [§§ 79-81 prescribe further details as to the manner of enforcing the provisions of § 78.]

§ 82. The associations shall have the power to supervise, through their agents, the execution of measures for the prevention of accidents, and to obtain such information in regard to establishments as may be material to membership in the association or arrangement of the danger-tariff. They may also inspect such books and lists as indicate the number of workmen employed and the amounts paid to them, for the purpose of checking the lists of workmen and wages which the employers are required to hand in. Employers belonging

to an association shall permit to the duly authorized agents of the association entrance on their premises during the hours of work and immediate inspection of their books and lists. Failure to comply with this obligation, so far as not effected by § 83, may be punished by the lower administrative authorities by fines of not more than 300 marks.

§ 83. If an employer fears that inspection by agents of the association may lead to the loss of a business secret or to any damage to his business interests, he may demand inspection by other competent persons. In such case, he shall give notice to the executive committee of the association immediately on learning the name of the agent, and shall name to the committee qualified persons who are willing, at his expense, to make the needed inspection of his establishment, and to give the required information to the executive committee of the association. Should the employer and the executive committee of the association fail to agree on a qualified person, the Imperial Insurance Bureau shall make a decision, if applied to by the executive committee.

[The following sections provide that the agents of the associations shall be under an obligation of secrecy, that their names and residences shall be publicly stated, etc.]

VII. THE IMPERIAL INSURANCE BUREAU.

§ 87. Compliance with the provisions of this act on the part of associations shall be supervised by the Imperial Insurance Bureau. The Imperial Insurance Bureau shall have its seat in Berlin. It shall consist of three permanent members, of whom the chairman shall be one, and of eight non-permanent members. The chairman and the other permanent members shall be appointed for life by the emperor, with the confirmation by the Bundesrath. Four non-permanent members shall be chosen by the Bundesrath from its number. Two shall be chosen by ballot by the executive committees of the associations, and two by the representatives of the workmen in separate elections, which shall take place under the supervision of the Imperial Insurance Bureau. A plurality shall elect. If votes are equal, the decision shall be by lot. The non-permanent members shall hold office for four years. The voice which the individual associations shall have in the election shall be determined by the Bundesrath, upon the basis of the number of persons insured by them.

§ 88. The Imperial Insurance Bureau shall see that associations, in the conduct of their operations, conform to the requirements of law

and of the by-laws. Its decisions shall be final, except where otherwise provided in this act. It shall have the power at any time to examine the conduct of the operations of an association. The members of the executive committee of an association, and its trustees and officers, shall submit, on demand, to the Imperial Insurance Bureau or its representatives, their books, vouchers, all correspondence relating to the contents of their books or to the determination of benefits and contributions, and all documents bearing on the determination of their benefits and contributions. They shall be liable to a fine of not more than 1,000 marks for failure to comply with such demand.

[§§ 90 and 91 regulate the procedure of the Imperial Insurance Bureau, and enact that its expenses shall be borne by the empire. §§ 92 and 93 authorize the establishment of Federal Insurance Bureaus, which may assume the functions of the Imperial Insurance Bureau for the associations lying within any federal state. § 94 authorizes special *Knappschaftsberufsgenossenschaften* on the part of those employers who are members of the *Knappschaften* of the mining regions.]

§ 95. Persons who are insured by this law, and their representatives, have a claim for injury from accident against employers, agents or representatives, superintendents or overseers, only in case these persons have been proved, in a criminal proceeding, to have intentionally brought about the accident. In such case, the claim for injury shall be only for that amount by which the compensation under existing law exceeds the indemnity secured by this act.

§ 96. Employers, agents or representatives, superintendents or overseers, of whom it is proved in a criminal proceeding that they have caused an accident intentionally or by neglect of that degree of caution which is specifically required (*besonders verpflichtet*) of them by virtue of their office, occupation, or calling, shall be liable for all expenses which shall have been incurred by a *Berufsgenossenschaft*, or sick insurance association, in consequence of this act or of the act of June 15, 1883, for the insurance of workmen against sickness. [This liability is also made to attach to joint stock companies, incorporated associations of all kinds, firms, etc., and its details are regulated.]

[The concluding sections fix fines upon employers for failure to comply with the provisions of the act, and fine or imprisonment upon officers or agents of associations for misuse of their powers.]

An act of May 28, 1885,* extends the insurance against sickness

*Printed in the *Annalen des Deutschen Reiches*, 1885, pp. 751-754, and translated in the *Bulletin de Statistique et de Législation Comparée*, vol. xviii., p. 87.

and accidents to workmen employed in the postal and telegraph service, on railroads, in the army or navy departments (excepting *Personen des Soldatenstandes*), in dredging, cartage, internal navigation, and transportation of all kinds, to packers, porters, 'longshoremen, etc. If the industry in which they are employed is carried on by the empire or one of the federal states, the latter takes the place of the *Berufsgenossenschaft* for the purposes of insurance against accident. If the industry is carried on by private persons or corporations, *Berufsgenossenschaften* are to be formed among them. The general provisions of the acts of 1883 and of 1884 are made to apply to these occupations, with minor modifications called for by their peculiar conditions.

Agricultural laborers had not been affected by the main acts of 1883 and 1884. An act of May 5, 1886, provides for their insurance against accident, and makes certain regulations as to their insurance against sickness. As regards insurance against accident, the principle of compulsory insurance was applied with modifications called for by the peculiar conditions of agriculture. Agriculture is frequently conducted on a small scale. The small proprietors often employ, without stipulation as to wages, members of their own families. They are apt to act themselves as employees of others. Payments in kind continue in many parts of Germany. In many cases, the employer is bound by contract or customary law to care for the agricultural laborer in case of sickness and accident. These circumstances are taken into account in the act of 1886. As the degree of danger in agriculture does not vary greatly, the *Berufsgenossenschaften* are formed geographically; and a wide discretion is left to the governments of the federated states as to their formation. Prussia, in availing herself of the liberty so granted, has made the boundaries of the *Berufsgenossenschaften* within her borders coincide with those of her provinces; while the sections are made coincident with the smaller local divisions (*Kreise*). Prussia, moreover, effects a saving of expense by intrusting the administration of the act very largely to the local authorities already in existence. Other questions are also left to be settled by the states, such as the extent to which members of the employer's family shall participate in the insurance benefits.

As regards insurance against sickness, the act does not provide for its compulsory adoption, but merely regulates certain details of its application in those cases where communes or other local bodies shall have already applied it to agricultural laborers, under the authority conferred by the act of 1883 (see § 2 of that act). It is pro-

vided, for instance, that, where an employee has a legal claim for support against the employer in case of sickness, as is the case with some members of an employer's family, insurance shall, on the employer's application, be dispensed with, and that it shall similarly be dispensed with where an employer, when sick, has a right to the continuance of payments in kind. The method by which payments in kind shall be computed as money payments is prescribed; and in other ways the manner in which local bodies shall apply insurance against sickness, if they do so at all, is regulated.

Laborers employed in building roads, railroads, canals, etc., and certain others employed on building operations, had not been affected by the insurance act of 1884 or its successors. The act of July 11, 1887, makes provision for them. All employers who carry on such operations as a regular business, unless they are already reached by a previous insurance act, are united into a single *Berufsgenossenschaft*, extending over all Germany, whose affairs are to be managed, in the main, like those of the other associations of the same kind. Laborers hired by employers who do not carry on building as a regular business, and who are not reached by a previous act, are to be insured by the employers in special insurance associations (*Versicherungsanstalten*), which are to be created for this purpose as departments of the *Berufsgenossenschaften* of the building trades. These new associations are similar to ordinary insurance companies, maintained and managed by the *Berufsgenossenschaften* with separate funds and accounts. Where a state or local body carries on building operations, it may insure for itself or may insure in these associations.

An act of July 13, 1887, extends the system of insurance against accident to sailors and others employed in shipping.

The next step in the legislation for compulsory insurance is likely to be an act granting pensions to laborers in case of old age or disability. In the periodical publication *Die Berufsgenossenschaft*, of July 10, 1887, it is stated, apparently on official authority, that a bill having this object is now in the hands of the Imperial Chancellor, and will soon be laid before the governments of the federal states. It provides for pensions to disabled or aged laborers, but makes no provision for widows and orphans. The system is to be administered by the *Berufsgenossenschaften*, by whom the pensions are also to be paid. The funds are to be raised by equal contributions from the state, the employers, and the employees, each of whom is to pay about one per cent. of wages.

In Austria, bills were introduced in 1885 by the government, providing for insurance against sickness and accident.* They were

* See the *Bulletin de Législation Comparée* for February, 1887, p. 106.

modelled on the German acts, though not without important differences in detail. The bill for insurance against accident was adopted by the Lower House in June, 1886, but has not as yet (September, 1887) become law. The bill for insurance against sickness has not yet come up for discussion.